annual report 2023

LUZ SAÚDE

Moving Medicine Forward

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Message from the CEO

In 2023, Luz Saúde increased its consolidated operating income to €666.9 million (+11.3% compared to the previous year), driven by the growth in the private healthcare segment (+13.0%). It is worth noting the performance of Hospital da Luz Lisboa, which completed in 2023 its third full year of activity after the expansion works that extended its care capacity, compared to 2019, in approximately 80% (a 53.0% increase compared to 2019). A solid operational and financial discipline determined an 18.2% growth in the EBITDA value to 96.5 million euros and a net income of €31.3 million attributable to shareholders.

This performance reflects the strong growth in the activity of Luz Saúde Group across all lines of healthcare, compared to the previous year, with special emphasis on emergency services (+16%), maternity (+21%) and imaging exams (+16%).

The results were achieved in a context of great pressure in the various aspects of costs, as a result of a persistent inflation throughout the year and the maintenance of interest rates at high levels, with an impact on the Group's financing costs.

The path to sustainable improvement in the operating margin is fundamentally due to the determined progress of the several ongoing digitalization and automation projects within the Group, with special emphasis on the administrative proceedings of customer service, with an impact on the reduction of the cost-to-serve, materialized in the MY LUZ App, which already has about 1.3 million users (+32% growth compared to 2022), and also the dilution of overheads.

It is worth noting the relationship of mutual respect, trust and recognition that we maintain with our institutional clients, suppliers and other partners, with whom it was possible to carry out the necessary mutual adjustments to face the current geopolitical and economic-financial uncertainty, and to guarantee sustainable and fair balances for all stakeholders involved in the private healthcare delivery ecosystem.

In 2023, the management team dedicated its attention on consolidating as a reference provider in the private sector, with a special focus on highly specialized and complex healthcare areas, virtuously combining its leading position in clinical and technological innovation with a clinical practice integrated with university education and research.

In this regard, Luz Saúde Group's strategy of alliance with universities, in particular with Católica Medical School, has consolidated in a distinctive way Luz Saúde Group's commitment to the development of future generations of health professionals, from physicians to nurses, health technicians, managers, engineers and other professions that operate in the sector. The Luz Saúde network, and in particular Hospital da Luz Lisboa, assumes a vocation as a teaching hospital, promoting the implementation of innovative training models, as well as drivers of research, innovation and entrepreneurship, in a decisive combination for the sustainability of its premium positioning and for attracting and retaining specialized health professionals, in a context of high talent competition at the European and global scale.

Finally, and pursuing its strategy of market consolidation in Portugal, Luz Saúde Group maintained in 2023 a solid pipeline of brownfield and greenfield growth projects. In April 2023, the expansion of Hospital da Misericórdia de Évora and, in June, a new outpatient unit in the city center of Setúbal came into operation, reinforcing the satellite network of Hospital da Luz Setúbal. In the catchment area of Hospital da Luz Lisboa, the development plan for Hospital da Luz Torres de Lisboa moved forward, with the rehabilitation of existing buildings, the completion of which is scheduled for the 1st half of 2024, and the expansion to a new building of new areas for consultations and exams, as well as the reinforcement of the imaging service, scheduled for completion in the 2nd half of 2025.

The development of two new outpatient units in the catchment area of Hospital da Luz Coimbra also continued – in Leiria and in Figueira da Foz – with opening scheduled for the 1st and 2nd semesters of 2025, respectively, a new outpatient unit in Aveiro scheduled to open in the 1st half of 2025, another in Funchal scheduled to open in the 1st quarter of 2024, the expansion of the area of influence of Hospital da Luz Lisboa with the opening of a new outpatient clinic in Vila Franca de Xira scheduled for the 1st quarter of 2025, and a new hospital in Santarém in the 2nd half of 2025. The Group will also reinforce its presence in the south of the country with the expansion and clinical upgrade of Hospital da Luz Setúbal, which is expected to be completed in the 1st half of 2027.

With this investment cycle, Luz Saúde Group will consolidate its positioning as the most comprehensive private healthcare network in Portugal, covering over 75% of the Portuguese population, while continuing to invest in new formats, namely through Hospital da Luz Digital / LUZ 24 Helpline, whose offer is incorporated in a clinically harmonious way with the physical network and which grew in 2023 by around 30%, in a total of about 95 thousand services.

In 2024, in the context of the strategy defined for the 2024-2027 cycle, the Luz Saúde Group will continue to keep the focus on profitable growth at the level of the best international practice in the sector and on the creation of value for its shareholders and other stakeholders, based on a vision of leadership through innovation and on a mission to achieve in a measurable way the best health outcomes for its clients, under the commitment taken throughout the whole treatment cycle, and always ensuring conciliation between operational efficiency and clinical excellence.

For this purpose, three principles will continue to govern our positioning in the health sector: team medicine and multidisciplinary cooperation, in a context of clinical governance guided by disease and focused on the patient; technology and innovation set on value in health and enhanced by the talent of our professionals through a permanent investment in their training and clinical research; and a personalized medicine, based, above all, in the relationship of inviolable trust between physician and patient, now strengthened by the most advanced technologies of clinical genetics and computational medicine, allowing higher clinical effectiveness, both in terms of disease prevention and in terms of therapeutic strategy and disease control.

To all employees, I extend my deep gratitude for the trust you placed in us by choosing Luz Saúde Group to achieve your professional fulfilment and development.

To you all, I wish a 2024 where we will remain united by the motto of Team Medicine and focused on building an exemplary organization, clinically distinctive and solidly prepared for the future. An organization where *Medicine Moves Forward*.

To our shareholders, I thank you on behalf of all employees for your renewed support to our ambition to pursue a sustained long-term growth strategy, through an unequivocal commitment to the quality and excellence of healthcare provision.

To our patients, we express our reiterated commitment to unconditional dedication and unwavering rectitude in our clinical performance, with absolute respect for the individuality of each person who grants us the privilege of their trust to care for their health.

Isabel Vaz

President of the Executive Committee of Luz Saúde Group

Executive Summary

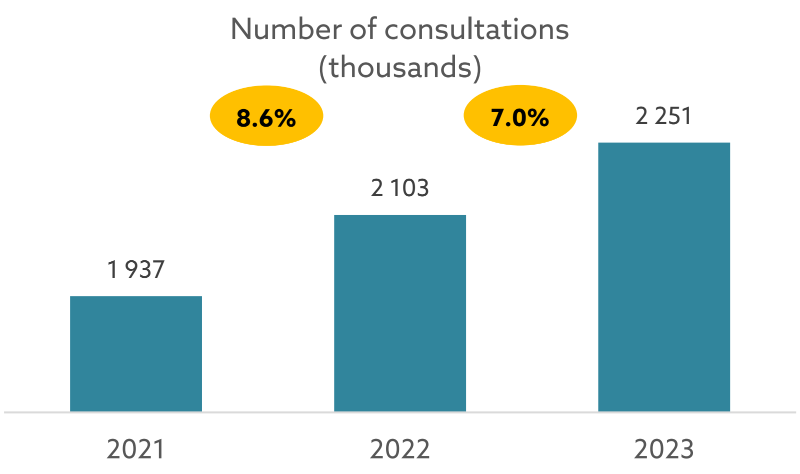
LUZ SAÚDE OVERVIEW

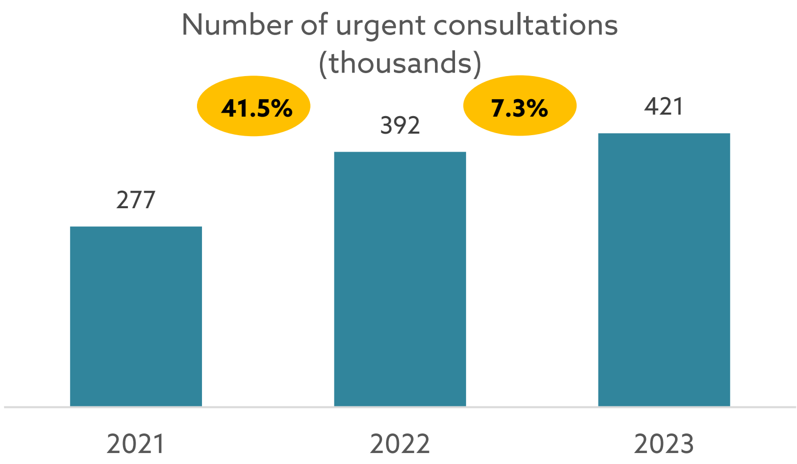
Luz Saúde, SA leads one of the largest healthcare groups in the Portuguese market – an expanding market. The Group provides its services through 29 units (including 14 private hospitals (Hospital da Luz, Hospital do Mar - Specialized Care, Hospital da Misericórdia de Évora), 14 private outpatient clinics (Hospital da Luz) and a senior residence (Casas da Cidade Senior Residences)) and is present in the North, Centre, Centre-South regions of Mainland Portugal and Madeira, holding, in certain regions, the only private hospital or clinic in operation.

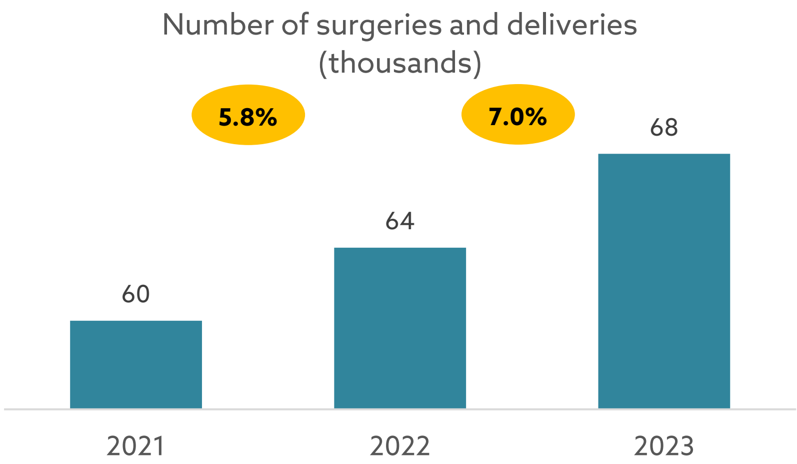
The Group's structure is organized into four hubs, including more differentiated hospitals, medium-sized hospitals and outpatient clinics, and operates its health units in a complementary and integrated way, by allowing cross unit patient referral, sharing know-how (clinical and related to process management) and ease of access to the facilities of some of the best acute hospitals in the country. The Group has a differentiated position in the Portuguese healthcare services market as a provider offering specialized and complex services, based on the use of technologically advanced equipment in many of its units – often, the only equipment of their kind in Portugal.

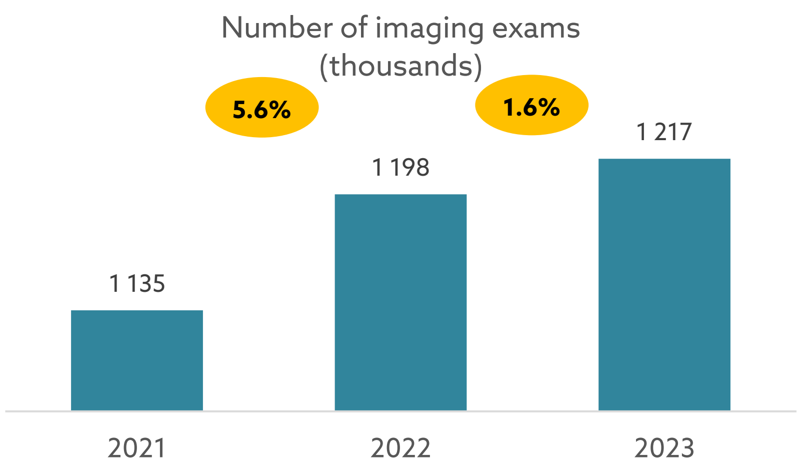
KEY DATA

1 OPERATIONAL INDICATORS

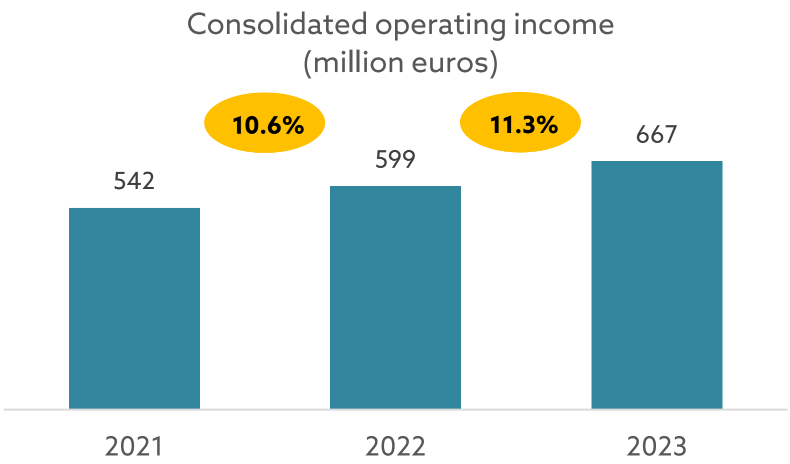


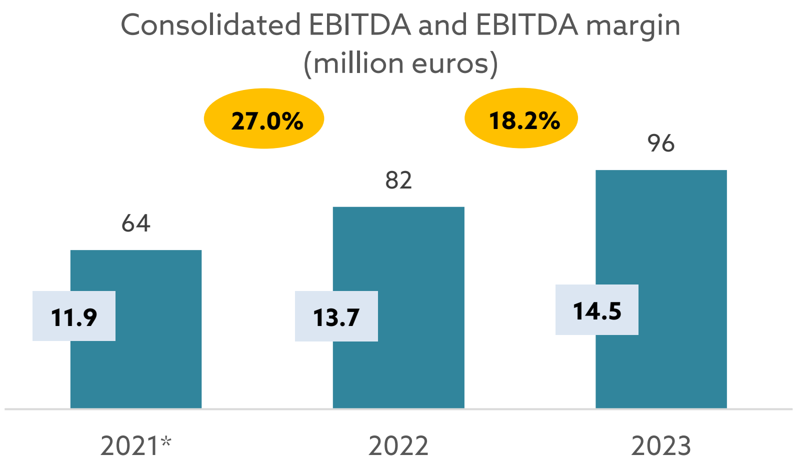

Number of urgent consultations
(thousands)
41.5%
7.3%
277
392
421
2021
2022
2023


Number of surgeries and deliveries
(thousands)
5.8%
7.0%
60
64
68
2021
2022
2023


Number of imaging exams
(thousands)
5.6%
1.6%
1 135
1 198
1 217
2021
2022
2023

2 FINANCIAL INDICATORS





*Information restated to present the segment of public provision of healthcare as discontinued operations.

3 INFRASTRUCTURE INDICATORS

- 14 private hospitals
- 14 private outpatient clinics
- 1 senior residence
- 1,126 beds
- 685 consultation offices
- 56 operating rooms

4 Human Resources Indicators

- 13,666 employees
- 60% women in leadership positions

5 Client Indicators

- 1,184,903 clients served in 2023 (~1.2 million clients)
- 1.3 million clients with a MY LUZ account or in a MY LUZ household
- 1.245 million appointments scheduled through MY LUZ
- +65 thousand triages carried out by LUZ 24
- 29.8 thousand video consultations

6 Training and Research Indicators

- 51,499 participants in courses/events organized by Learning Health
- 360 courses and events by Learning Health
- 69 studies submitted
- 62 clinical trials involving 245 patients
- 89,665 hours of training

Highlights and Recognitions

	Imaging and Transfusion Medicine at Hospital da Luz Guimarães; Imaging and Gastroenterology at Hospital da Luz Clínica Santa Maria da Feira; and Imaging, Gastroenterology and Sterilization and Transfusion Medicine at Hospital da Luz Arrábida certified by Bureau Veritas (ISO 9001:2015 Standard).
	Luz Saúde elected Health Service Provider 2023 by ITIJ (International Travel & Health Insurance Journal), for the second consecutive time.

ESMO seal of quality and excellence and renewed certification by the European Society for Medical Oncology (ESMO) for the Palliative Care Unit at Hospital da Luz Lisboa, in conjunction with the Oncology Center.

European Private Hospital Awards 2023 for Hospital da Luz Learning Health, in "Excellence in the workplace", for the creation and development of an innovative training path for customer service officers in healthcare institutions.

Echocardiography Laboratory at Hospital da Luz Setúbal with maximum accreditation ("Advanced") in the three categories of echocardiography: transthoracic, transesophageal and overload, awarded by the European Association of Cardiovascular Imaging (EACVI) of the European Society of Cardiology.

Luz Saúde is the hospital institution that invests the most in Research and Development (R&D) activities in the areas of Health Sciences, according to the National Scientific and Technological Potential Survey (IPCTN) 2021, published in 2023 by the General Directorate for Education and Science Statistics.

Luz Saúde continues its commitment to sustainability, through the implementation of the United Nations 'Sustainable Development Goals' commitment, at the level of the Group and its units, and in 2023 joined the United Nations Global Compact Network Portugal, a global initiative of the UN to align companies for a more sustainable world.

Economic Outlook

Macroeconomic Outlook

According to the latest estimates from Banco de Portugal, the Portuguese economy will have recorded a GDP growth of 2.1% in 2023, compared to 6.8% in the previous year[1]. It is expected that in 2024, GDP will grow by 1.2%[1]. Despite the strong start in 2023, the economy slowed its growth in the second and third quarters, maintaining reduced dynamics in the fourth. The contraction in domestic demand due to the increase in interest rates, the low confidence of both consumers and companies and the weakening of external demand are behind this evolution. However, although exports of goods declined, exports of services, especially from the tourism sector, continued to grow. In the third quarter, private consumption and investment improved slightly. Weak external demand and rising interest expenses for households and companies should keep economic growth contained in the short term.

However, it is expected that the progressive elimination of support measures to mitigate the inflationary shock (temporary cuts in energy taxes and VAT, the freezing of the carbon tax, as well as subsidies applied to the prices of electricity, gas and fuels) will be compensated by the application of the RRP and the increase in household income in 2024 (new salary increases, indexation of retirement benefits, new specific social transfers, new tax incentives for companies to increase investment, as well as the increase in the minimum wage – 7.9% in 2024 and 4.3% in 2025[2]).

Despite the growth of the economy, employment in Portugal continued to increase, moving from close-to-zero rates at the beginning of 2023 to 1.3% in the summer months[3]. However, despite employment growth, which is expected to continue to increase marginally in the coming years, the unemployment rate has also increased, going from 6.1% in 2022 to 6.5% in 2023, and Banco de Portugal estimates that it will continue to rise in 2024 and 2025[1]. The reconciliation of these two apparently contradictory trends suggests a significant increase in the active population, which, in turn, will have been achieved through immigration.

Inflation decreased in Portugal for the third consecutive quarter, reaching 4.8% in the third quarter of 2023, falling from a peak of 10.2% in the fourth quarter of 2022[3]. Inflation, excluding energy and food, also followed a downward trend, but at a slower pace, due to the increase in the prices of services, especially housing, driven by the increase in tourism, as well as salary increases. Energy prices continued to decline year-on-year, and growth in food prices slowed substantially. In average

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[1] Banco de Portugal – Economic Bulletin – December 2023

[2] OECD Economic Outlook

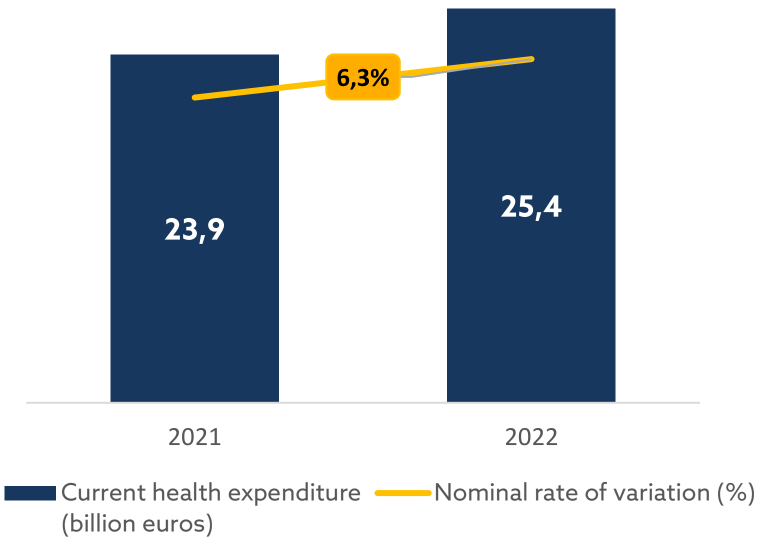
[3] Economic forecast for Portugal - European Commission (europa.eu)

annual terms, inflation is expected to decrease from 5.3% in 2023 to 2.9% in 2024 and 2.0% in 2025, broadly in line with the euro zone average[1].

Health Sector Overview

According to the most recent date from the Portuguese National Statistics Institute, in its Health Satellite Account, in 2022, current health expenditure grew by 6.3%, reaching 25.4 billion euros (2,474 euros *per capita*). The weight of current health expenditure in GDP remained above the values seen in the pre-pandemic year, representing 10.6%[4] in 2022.

Contrary to what was seen in the same period in the previous year, current health expenditure grew, in nominal terms, less than the GDP (-5.1 p.p.) in 2022.



It is estimated that current public expenditure, in 2022, had a weight of close to 63.4%[5] of total current health expenditure, with a growth of 6.7%[5] compared to the same period the previous year, mainly due to intermediate consumption (including COVID-19 tests, subsidies for medicines and complementary diagnostic means, consumption of pharmaceutical products and others), as well as increased personnel costs.

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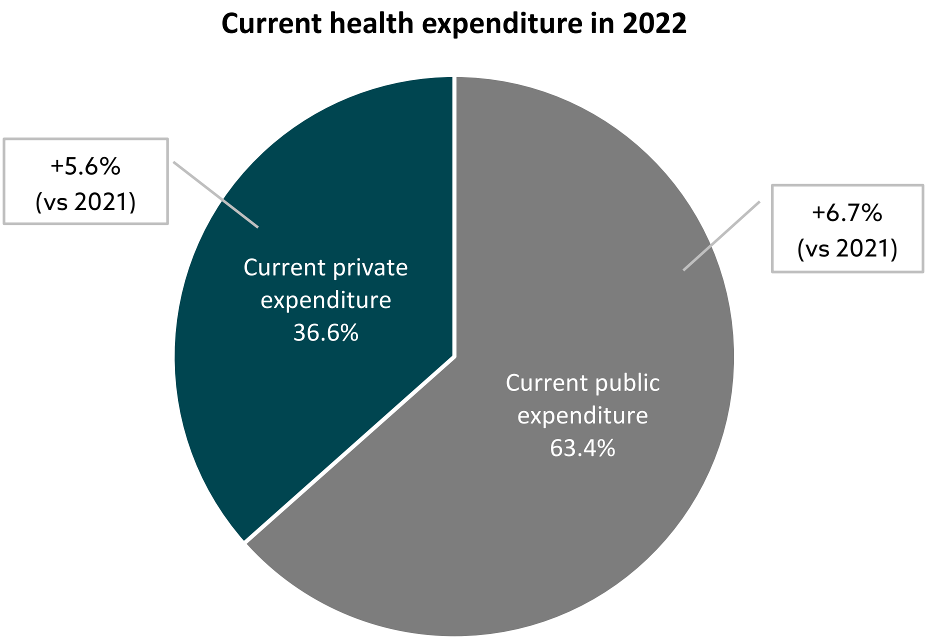
[4] INE – Health Satellite Account – July 2023

[5] INE – Health Satellite Account – July 2023, considering voluntary public health subsystems as a private financing agent (due to the nature of the contribution of 3.5% civil servants' salaries)

Current private expenditure is also expected to have increased by around 5.6%[5], driven by the recovery of healthcare activity by private providers and increased demand for non-urgent healthcare by citizens, given the reduction recorded in the years of the COVID-19 pandemic.



The private healthcare market grew at a compound annual growth rate (CAGR) of 6.2% between 2015 and 2021. The current expenditure of private healthcare providers in 2021 represented 44%[6] of total health expenditure in hospitals, outpatient healthcare and ancillary services (excluding Public-Private Partnerships).

On another note, the health insurance market exceeded the growth trend of recent years: by December 2023, the number of people insured (almost 3.6 million[7]), compared to the same period the previous year, grew by 6.3% (6.0% in individual policies and 6.6% in Group policies[7]), with an increase in the average premium per insured person by 8.0%[7] (~373€) – this increase is more significant compared to previous years, given the inflationary context we are experiencing.

[6] INE – Health Satellite Account – July 2023, considering voluntary public health subsystems as a private financing agent (due to the nature of the contribution of 3.5% of civil servants' salaries), as well as PPP activity as an expense in public sector providers

[7] APS – Portuguese Association of Insurers – Health Management Indicators – December 2023

Strategic and Business Vision

Luz Saúde aims to contribute, through its strategic and business vision, to the sustainability of its healthcare network and the healthcare system as a whole, and to the development of an organizational, governance and care delivery model that makes the sector capable of responding to the challenges and risks that healthcare may have to face in the coming years.

Vision, Mission and Values

Vision

To be a leading healthcare provider in highly specialized and complex medical care recognized as a reference of excellence and innovation through integrated clinical practise, education and research.

Luz Saúde commitment is absolute and unequivocal: to ensure the best diagnosis and medical treatment that talent, innovation and dedication can provide.

Luz Saúde offers a full range of healthcare services that ensures continuity of care and can respond to changing health needs of people throughout their lives.

Mission

Achieve the best healthcare outcomes from patient's perspective through effective and efficient diagnosis and treatment with absolute respect for each patient’s individuality, in an organization that attracts, develops and retains exceptional people.

In order to fulfil its Mission, Luz Saúde, through its employees, is committed to:

Excellence in healthcare

- Placing the best interests of patients ahead of the personal interests and of the organization;
- Adopting the highest ethical and professional standards, valuing team medicine and multidisciplinary collaboration to achieve the best health outcomes from the perspective of patients;
- Honoring patients' needs and preferences, respecting their values and involving them and their family in care decisions;
- Developing long-term relationships with patients and third-party payers based on efficacy, integrity and trust, thus contributing in an exemplary way to the economic sustainability of the healthcare system.

Technology and innovation

- Providing the best possible healthcare that scientific and technological advances allow;
- Practicing a personalized medicine based first and foremost on the physicians' inviolable trust relationship with their patients, enhanced by advances in clinical genetics and molecular diagnostics, alongside the adoption of computational medicine and data science technologies;
- Investing in state-of-the-art technology to deliver innovative treatments with scientifically proven clinical value;
- Promoting scientific research that contributes significantly to the advancement of knowledge and focuses on achieving the best outcomes for patients.

Talent and training

- Working with the best professionals and fostering their continuous development through investment in their training and the implementation of a culture of high demand and self-improvement based on meritocracy;
- Managing an efficient, high-quality healthcare structure made up of competitive and dynamic employees who are strongly committed to the organization, to its mission and values;
- Collaborating with leading institutions in teaching and research to train the new generations of health professionals and researchers.

Values

8 fundamental values lie at the core of Luz Saúde:

Result-oriented

Ambition

- We are determined to achieve ambitious and measurable results in implementing the organization's mission.
- We are pragmatic in defining what needs to be done today, without losing sight of the long term and the way to get there.
- We do not give up on our goals, even when we face difficulties and constraints along the way.

Intellectual rigor

- We are critical of everything we do, systematically looking for the best ideas and solutions.
- We approach issues and decisions in a rigorous, rational and reasoned way.
- We take risks in a sensible, controlled and intelligent way, in a context of ambiguity.

Positive attitude

- We welcome new ideas with enthusiasm, we are curious and motivated to proactively continue to learn, progress and be agents of change and to create new paradigms.
- We do not cling to past successes and embrace new challenges with enthusiasm, facing difficulties as unique opportunities to reinvent ourselves, to do things differently and even better.
- We reflect and learn from experience and mistakes, never failing to try again.
- We proudly celebrate the results that, individually or collectively, we have achieved.

Team medicine

Spirit of cooperation

- We believe in a collective and coordinated effort as the best way to achieve excellence in the organization's results and to enhance our impact on clients.
- We acknowledge that all employees, regardless of their hierarchical position, play an important role in fulfilling our mission and we value their contribution.
- We base our relationships on mutual respect, loyalty, honesty and clarity of communication.

Personal responsibility

- We give the best of ourselves and take responsibility for achieving the best possible results in our area of expertise.
- We assume the duty of updating our knowledge and skills, namely through the training opportunities made available to us by the organization.
- We fulfil the commitments we make to each other, recognizing that trust relationships are the basis of teamwork, because if one person's success is everyone's success, when one fails, everyone fails too.

Respect and humility

- We respect others and their ideas and value perspectives different from our own, assuming the limitations of our experience and knowledge.
- We are constructive in criticism, not making judgments, but rather trying to understand the position of others and always having the ultimate goal of improving individual and collective performance.
- We treat clients with professionalism and respect: i) providing them with all the necessary information so that they can make informed decisions about their health and minimizing the

effects of knowledge asymmetry; ii) respecting their values and valuing their own perspective on defining health outcomes.

Spirit of service

Integrity

- We say what we think even if it might be controversial.
- We fairly and directly challenge behavior that is inconsistent with the organization's values and commitments.
- We are quick to acknowledge our mistakes.
- In the performance of our duties, we always adopt loyal, suitable and dignified behavior, safeguarding the prestige of the organization and its employees.
- We are the main ambassadors of the Luz Saúde Group.

Generosity

- We value genuine empathy and compassion for those suffering as the factor that truly makes a difference in the lives of patients and our own development as human beings.
- We assume the obligation to develop each other through transparent sharing of knowledge and our experience.
- We assume that assessing and being assessed is an investment in the development of each employee's potential and, to that extent, an exercise in projecting the organization's future, which must be done seriously, objectively and fairly.

Social responsibility

- We perform our duties responsibly, namely through the sensible and efficient use of the resources made available to us, with a view to contributing to the future sustainability of the health system.

LUZ SAÚDE'S HISTORY AND NETWORK

2000

Espírito Santo Saúde is founded (currently Luz Saúde).

Acquisition of Cliria - Hospital Privado de Aveiro (currently HL Aveiro) and Hospital da Arrábida (in V. N. Gaia, currently HL Arrábida).

2002

Start of the management contract for Hospital da Misericórdia de Évora.

2003

Construction begins on the Integrated Health Complex of Luz (Hospital da Luz and Casas da Cidade – Senior Residences).

2004

Opening of Cliria – Águeda Medical Centre (currently HL Clínica de Águeda).

Integration of the Clube de Repouso Casa dos Leões (later Casas da Cidade Senior Residences Carnaxide) into Espírito Santo Saúde (ESS).

2006

Opening of Hospital do Mar – Specialized Care in Lisbon.

Acquisiton of IRIO (Institute of Radiotherapy) and Hospor (Santiago Hospital, currently HL Setúbal, and Clipóvoa – Private Hospital, currently HL Póvoa de Varzim and HL Clinics in Amarante, Cerveira and Porto).

2007

Opening of HL Lisboa and Clínica Parque dos Poetas (currently HL Oeiras).

2009

Opening of Casas da Cidade Senior Residencies and HL Clínica da Amadora.

Acquisition of Cliria - Clínica de Oiã (currently HL Oiã).

Signing of the public-private partnership contract for the management of Hospital Beatriz Ângelo (Loures), part of the NHS.

2012

Opening of Hospital Beatriz Ângelo.

HL Lisboa is awarded the Valmor Prize.

2014

Espírito Santo Saúde becomes the first private healthcare company to be listed on Euronext Lisboa.

Fidelidade - Companhia de Seguros, S.A. acquires 96% of Espírito Santo Saúde.

Change of name to Luz Saúde, SA.

2016

Consolidation of business areas into three main brands: Hospital da Luz (hospitals and clinics), Hospital do Mar Specialized Care and Casas da Cidade Senior Residences.

Acquisition of Hospital Privado de Guimarães (currently HL Guimarães) and Clihotel de Gaia (Hospital do Mar Specialized Care Gaia).

Opening of HL Clínica de Vila Real.

2017

Acquisition of Clínica de Santa Catarina (currently HL Funchal), Policlínica do Caniço (currently HL Clínica do Caniço) and British Hospital (currently HL Torres de Lisboa).

Expansion of the HL Clínica de Oeiras, which gives way to HL Oeiras.

2018

Opening of HL Clínica de Odivelas.

Certification of HL Lisboa by the Joint Commission Internacional (JCI).

Acquisition of Idealmed Group, in Coimbra: one hospital and four clinics (currently HL Coimbra, HL Clínica da Solum, HL Clínica de Cantanhede, HL Clínica da Figueira da Foz and HL Clínica de Pombal).

Expansion of services in Vila Real, with a move to the historic center: HL Vila Real opens.

2019

Opening of the 3rd building of Hospital da Luz Lisboa.

2020

Approval of the Medicine course at the Catholic University, the 1st private degree, in partnership with Luz Saúde. Hospital da Luz Lisboa is the first private university hospital in Portugal.

2021

Inauguration of the Clinical Simulation Center (operating in the HL Lisboa building).

Reception of the first students of the Medicine course at the Catholic University.

2022

Completion of the transfer of Hospital Beatriz Ângelo to the Portuguese State, due to the end of the PPP contract.

Approval by government order of CAC Católica Luz, the first clinical academic center consisting only of private entities (Catholic University, Luz Saúde and União das Misericórdias). Its purpose is to promote the quality of healthcare through teaching, research and medical care.

Opening of HL Clínica Santa Maria da Feira and HL Clínica da Covilhã.

HL Lisboa's maternity, with 3.347 deliveries, is considered the greatest single maternity in the country.

Luz Saúde is the institution that invests the most in R&D in the field of Health Sciences (National Scientific and Technological Potential Survey).

Casas da Cidade – Senior Residences of Carnaxide leaves the Luz Saúde universe, after the sale process to the companies Foco Saúde S.A., Foco Saúde (Fiães), Lda. and Oliaf-International Trading, S.A.

2023

Opening of HL Clínica Luísa Todi, in Setúbal.

Opening of the expansion of Hospital da Misericórdia de Évora.

Luz Saúde launches the Health Evaluator.

Hospital da Luz is part of the National Network of Test Beds for innovative products from national startups and SMEs.

HL Lisboa's maternity has once again the highest number of births in the country – 3,921.

Hospitals

- Hospital da Luz Guimarães
- Hospital da Luz Vila Real
- Hospital da Luz Póvoa de Varzim
- Hospital da Luz Arrábida
- Hospital da Luz Aveiro
- Hospital da Luz Oiã
- Hospital da Luz Coimbra
- Hospital do Mar Cuidados Especializados Lisboa
- Hospital da Luz Lisboa
- Hospital da Luz Torres de Lisboa
- Hospital da Luz Oeiras
- Hospital da Luz Setúbal
- Hospital da Misericórdia de Évora
- Hospital da Luz Funchal

Outpatient clinics

- Hospital da Luz Clínica de Cerveira
- Hospital da Luz Clínica de Amarante
- Hospital da Luz Clínica do Porto
- Hospital da Luz Clínica Santa Maria da Feira

- Hospital da Luz Clínica de Águeda
- Hospital da Luz Clínica da Covilhã
- Hospital da Luz Clínica Solum
- Hospital da Luz Clínica de Cantanhede
- Hospital da Luz Clínica de Pombal
- Hospital da Luz Clínica da Figueira da Foz
- Hospital da Luz Clínica da Amadora
- Hospital da Luz Clínica de Odivelas
- Hospital da Luz Clínica Luisa Todi
- Hospital da Luz Clínica do Caniço

Senior residences

- Casas da Cidade Residências Sénior de Lisboa

Other areas

- GLSMED Trade
- Hospital da Luz Learning Health

MAIN RISKS AND UNCERTAINTIES FOR LUZ SAÚDE

The Group is exposed to several risks as a result of its operations. Luz Saúde, SA as the parent entity of the Luz Saúde Group and whose main activity is the development and participation in businesses in the healthcare area, is largely dependent on the activity and performance of the other entities that make up the Luz Saúde Group.

FINANCIAL RISKS

The Company strongly depends on the financial structure of its subsidiaries and their ability to generate sufficient cash flow to distribute dividends, pay interest, reimburse the loans made by the Company or settle the services rendered. In this capacity, the Company is exposed to the Group's risks on a global basis.

The table below summarizes the most significant financial risks to which the Group is exposed, as well as how these are monitored and the management objectives to be followed to mitigate them.

Risk	**Exposure**	**Monitoring**	**Management**
Credit risk	Customers and other accounts receivables Bank deposits	Analysis of exposure and risk concentration of the loan portfolio Monitoring the loan portfolio balance aging Monitoring the risk rating of banks with relevant exposure	Concentration of bank deposits with the Group's financing entities Definition of client acceptance procedures and credit limits Evaluation of the history of financing lines used by the Group's financial entities
Liquidity risk	Interest-bearing liabilities Other payables	Analysis of historical and forecast cash-flows Compliance with financial ratios	Management of the credit lines to finance the needs of the Company and of the Group Permanent monitoring of treasury forecasts
Market risk – interest rate and currency risk	Interest-bearing liabilities	Monitoring interest rates Sensitivity analyses	Contracting of risk hedging financial instruments Establishment of adequate strategies for each area of the business

Capital risk	Operating result Financial debt	Monitoring leverage ratios	Safeguarding the Group's ability to continue operating Adequate remuneration of shareholders Capital cost optimization

These risk factors, as well as their impact on the Group's operations and management by the Group, can be detailed as follows:

1.1 CREDIT RISK

Credit risk results from the possibility of financial losses arising from a debtor's default on contractual obligations established with the Group within the scope of its activity.

The Group's exposure to credit risk relates essentially to balances receivable arising from operating activities and monetary funds managed within the scope of the Group's treasury activity.

Monitoring of credit risk arising from operational activity is carried out through permanent monitoring of debtor portfolios and their outstanding balances. This approach is complemented by guiding procedures for the purposes of risk assessment in the customer acceptance phase, in their classification and in the definition of associated credit limits, as well as in terms of collection procedures and circuits.

The monitoring of the Group's credit risk profile, namely regarding the evolution of credit exposures and monitoring of losses due to bad debts, is carried out regularly by the Operational and Financial areas of each of the units, with the Financial and Audit Department being responsible for monitoring of sectoral exposure levels at Group level.

Regarding the management of monetary funds, the Group maintains as a guiding principle to align the counterparty where it deposits its cash, the financial entities where it has used financing lines, in order to create a natural cover for a potential credit event that may occur at the level of the entity where the funds are deposited.

1.2 LIQUIDITY RISK

Liquidity risk arises from the potential inability to finance the Group's assets and operations, or to meet contracted liabilities on their due dates.

The monitoring and management of liquidity at the Group level are centralized in the Financial and Audit Department. This management aims to maintain a satisfactory level of cash and credit lines available, to meet financial needs.

To assess the global exposure to this type of risk, reports are drawn up to make it possible to identify specific cash shortages and activate the mechanisms aimed at covering them, in order to guarantee the fulfillment of all the Group's responsibilities towards the entities with which it relates in its activity.

1.3 MARKET RISK

Market risk is the risk that changes in market prices, such as foreign currency exchange rates, interest rates or stock exchange trends, could affect the Group's results and financial position. Given that the Group is not exposed to relevant exchange rate risks or operations carried out in the securities markets, the objective defined in terms of market risk management is essentially centered on monitoring the evolution of interest rates that influence interest-bearing financial liabilities and their optimization, seeking a balance between debt maturity, the Company's capacity/need to generate/access cash flows and the levels of remuneration of the liabilities that the Company and the Group can/need to access in the market.

The Group monitors exposure to interest rate risk, by simulating adverse scenarios that could negatively affect the Group's results. In addition, through the control policy adopted, the Group seeks to select the appropriate strategies for financing its operations, with the aim of mitigating the negative impact that changes in interest rates may have on the Group's performance.

A substantial part of the financing lines contracted by the company are remunerated based on variable rates given by the benchmark index plus a spread.

To balance the exposure to changes in interest rates, the Group contracts cash flow risk hedging instruments, with the objective of fixing the interest rates of some of the financing lines available, and thus mitigating the exposure to risk of interest rate fluctuations.

1.4 CAPITAL RISK

Capital risk is a broader concept than capital shown in the balance sheet. The Group's objectives in relation to capital management include:

i. to safeguard the Group's ability to continue operating and thus provide returns for shareholders and benefits for other stakeholders;

ii. to maintain a solid capital structure to support the development of its business; and

iii. to maintain an optimal capital structure that allows reducing the cost of capital.

The Group monitors capital risk by following a set of ratios, namely Gearing, Net Debt/EBITDA and Return on Equity. These indicators assess the Group's financial leverage capacity and ability to generate adequate returns for the remuneration of its shareholders.

Economic Risks

2.1 Economic environment

Luz Saúde's income comes from activities located in Portugal. As a result, operating results are, and are expected to remain, significantly affected by financial, economic, and political developments in Portugal, or directly or indirectly affecting Portugal. In 2022, the impact of the Covid-19 pandemic was significantly reduced compared to the previous two years, as a result of the success of vaccination campaigns. In fact, there was a recovery in the use of healthcare services to similar or even higher levels than those seen in 2019. At the same time, public health services, apparently as a result of the excessive effort to deal with the pandemic in 2020 and 2021, suffered in 2022 and 2023 from multiple problems of inability to respond, such as the multiple closures of obstetric emergency services, the difficulties in guaranteeing reasonable service times in general adult or pediatric emergency services, with a general decrease in service levels. At a social level, Portugal follows the trends in Europe with an increase in the average life expectancy due to improved living conditions and access to advances in medicine, which translates into an aging population, characterized by multipathology, chronic diseases and increased healthcare needs. The demand for health care will tend to increase and Luz Saúde needs to be able to adapt and respond to the evolution of socioeconomic changes in demand. Given this socioeconomic context, Luz Saúde has adopted a strategy of expansion and technological innovation.

However, we cannot, obviously, ignore the negative impacts of the invasion of Ukraine by the Russian Confederation, in February 2022, which reinforced some effects of the previous pandemic crisis and created new economic risks. In addition, the conflict in Israel/Gaza also has the potential to cause further disruption to the supply chain and may affect the cost structure related to healthcare companies in the Eurozone. Therefore, the growth in the prices of energy and goods and products, in a context of inflation that has not been felt in the Western world for a long time, the maintenance of some difficulties in supply chains and geopolitical instability have subjected Luz Saúde to a significant increase in production costs. The improvement of operational efficiency was, in this scenario, the most appropriate response.

2.2 Competition

The health sector in Portugal is competitive and the competition between hospitals and other healthcare providers has intensified in recent years, especially due to the growth of the private healthcare sector. Hospitals compete on factors such as reputation, clinical excellence, technology, customer satisfaction and price. Luz Saúde also faces competition from other healthcare providers – such as public hospitals, outpatient clinics, and diagnostic and therapeutic centers –, and may also face competition from international healthcare providers that may begin to provide healthcare services in Portugal in the future.

In addition, in recent years the healthcare sector in Portugal has witnessed a consolidation movement as healthcare providers seek greater operational efficiency as a result of the contraction of the economy and the adverse behavior of the financial markets. This is expected to continue to occur, with a growing increase in the availability of healthcare with different resources through telematic and digital means, which represent the entry of new entities into the market acting in a massive way, with easy penetration capacity and no specific regulation. In fact, nothing is known about how entities that limit themselves to offering health care by telematic or digital means guarantee the technical-professional adequacy of those who perform the care, register, treat, and share the personal and clinical information of patients or how they ensure continuity of care or referral to care services, when necessary. In addition, there are issues relating to the attribution of liability – professional, civil, or criminal – for the provision of unnecessary, inappropriate or wrong care.

If competition increases in the future, and/or they start offering services that Luz Saúde cannot provide, competition may attract patients who would otherwise have used Luz Saúde's health units, which may adversely affect the volume of patients, prices, global market share and Luz Saúde's margins. If these conditions are met, the financial position, operating results or future prospects of Luz Saúde may be adversely affected.

OPERATIONAL RISKS

3.1 CLINICAL RISK

The activity of Luz Saúde involves the treatment of patients with infectious diseases. On the other hand, the process of providing healthcare can produce a multiplicity of iatrogenic effects with negative impacts on the health conditions of Luz Saúde's clients. A person who is healthy, or not infected, can contract serious transmissible diseases because of their stay or visit to a hospital, including those of Luz Saúde. This may give rise to significant claims for compensation initiated against Luz Saúde and reputational damages. In addition, these infectious agents can also infect professionals and thus significantly reduce the treatment and care capacity at Luz Saúde's medical units in the short, medium, and long term. In addition to compensation claims, any of these events may directly entail limitations on the activities of Luz Saúde's hospitals as a result of quarantine, closure of parts of hospitals for sterilization or disinfection, regulatory restrictions on permits and authorizations, and may result indirectly, due to reputational damages, in a reduction of demand for Luz Saúde's healthcare units. Any of these factors or events may have a material adverse effect on Luz Saúde's business, financial position, operating results or future prospects.

Luz Saúde, through the Risk Management Department and the Local Coordinating Groups of the Infection Prevention and Control and Antimicrobial Resistance Program, seeks to disseminate, share and implement best practices in monitoring and managing clinical risks to prevent and mitigate the occurrence of the risks described.

3.2 INFORMATION SECURITY AND INFORMATION SYSTEMS

Luz Saúde's information systems are essential for several critical areas of the Group's operations, including the health information system, customer billing, electronic document management systems, clinical and non-clinical material management, accounting and audit, logistics, human resources, among other areas. Any failure of the system, failure of the electrical supply or other disturbance that causes an interruption in the service or availability of its information systems or related infrastructures may adversely affect the business, financial condition, results of operations or future prospects of Luz Saúde.

In addition, Luz Saúde's servers are potentially vulnerable to cyber-attacks, weather or natural disasters, intrusions, and similar disruptions caused by unauthorized access. The occurrence of any of these events may result in interruptions, delays, loss or corruption of data or unavailability of systems and may expose Luz Saúde to liability as a result of any theft or misuse of personal data stored on the systems.

The introduction of technological innovations associated with service platforms, as well as the reinforcement of technical safety measures in networks and systems are critical aspects that the Group constantly follows to monitor and mitigate the described risks.

3.3 TECHNOLOGICAL INNOVATION

Luz Saúde is a pioneer in the promotion of technological innovation and knowledge, seeking to meet the demand with better diagnoses and better treatments. The monitoring of innovation determines the evolution and the consequent success of the organization.

Investment in research and development is a strategic focus of Luz Saúde and a way to mitigate the risk of a decreasing demand. Following the beginning of the activity of the first private medical course in Portugal, in 2021, promoted by Luz Saúde in association with other partners, making Hospital da Luz Lisboa an University Hospital, the Clinical Academic Center – Associação CAC Católica Luz –, a private non-profit association aimed at enhancing the already existing synergies between the Portuguese Catholic University, Luz Saúde Group, Hospital da Luz, GLSMED Learning Health and União das Misericórdias Portuguesas, was officially recognized in 2022, thus maintaining its position of leadership and innovation in medicine in our country and in Europe.

Through Hospital da Luz Learning Health (HLLH), which is focused on training, research and innovation in the areas of healthcare delivery and management, Luz Saúde Group developed partnerships with universities with a view to retain talent and obtain new collaborations. HLLH also supports startups in the healthcare sector by promoting the development of innovative products and services, namely through its Simulation Center, one of the largest and most advanced in Europe, inaugurated in 2021.

Technological advances in medicine continue to occur rapidly. In order to compete for physicians and patients with other healthcare providers, Luz Saúde has to constantly assess its needs in terms of medical equipment and update the equipment in line with the technological advances verified and the needs of clients. The cost of such equipment represents a significant investment expense. If Luz Saúde does not have the capacity to acquire new technology, in such a way that medical professionals cannot provide the necessary services or eventually leave Luz Saúde hospitals, this may have a material adverse effect on business, financial condition, operating results and in the future perspects of Luz Saúde.

3.4 Dependence on partners

Luz Saúde's income mainly results from private health insurance borne by patients or companies, and public healthcare subsystems (health plans for current and retired civil servants and their dependents). With the end of the partnership in Hospital de Loures, on 18 January 2022, Luz Saúde ceased to have any direct financial dependence on the Ministry of Health, except for some contractual matters still pending, namely those relating to the closing of accounts from previous years and pending results of ongoing arbitrations.

The future success of Luz Saúde partly depends on its ability to maintain good relations with the Paying Entities. If the relationship of Luz Saúde with the Paying Entities deteriorates, Luz Saúde may be unable to negotiate favorable pricing agreements and/or its business may be adversely affected.

Luz Saúde is also exposed to the risk that the Paying Entities may reject, alter, delay or fail to comply with payment requests submitted in the course of providing services to patients covered by relevant health plans. This risk may be caused by human or computer error, system and process compatibility failures between Luz Saúde and Paying Entities, or in financial difficulties, such as liquidity constraints and insolvency problems on the part of the Paying Entities.

3.5 Talent management

The performance of Luz Saúde depends on the ability to attract and retain experienced, high-quality physicians and other health professionals, such as nurses and health technicians. The recruitment and retention of physicians and other qualified health professionals compete with other public and private healthcare providers, including those located in other EU countries.

The reputation, qualifications, skills and ability of healthcare professionals in the various units are critical to their ability to attract and retain clients. Thus, the success of Luz Saúde's activity depends on the number and quality of physicians and other health professionals and on the maintenance of good professional relations with them.

Compensatory package, hospital reputation, size and composition of the client base, management and strategy of the hospital, quality of equipment and facilities, quality and number of physicians and support staff and leading position in the market are factors considered important by people for the decision-making about their choice of employer.

Matters such as the definition of career plans, definition and development of skill profiles, professional growth through on the job training or through participation in training programs (in e-learning or face-to-face format), participation in relevant sectoral events for the professionals of Luz Saúde, or the organization of internal actions that aim to promote the inclusion and participation of all employees in the Group's strategy, are part of the talent management policy promoted by the Group, through the Human Resources Department.

3.6 ESG COMMITMENT

In terms of Luz Saúde's commitment to society, both in its role as a responsible agent and as a reference in the sector and, in compliance with current legal and corporate provisions, Luz Saúde identifies the need for a clear identification of the risks, namely environmental ones, and establishing a plan that allows them to be addressed and responds to the growing importance that these issues have for the organization and society as a whole. To address these concerns, the Group's Sustainability Office works together with the units and the group corporate center departments to identify these risks, as well as appropriate mitigation actions. The materiality analysis to be presented in the 2023 sustainability report to be published after this report, will contain the material concerns, which throughout 2024 will be reviewed both in terms of their relevance and the path that Luz Saúde has ahead to fulfill with Corporate Sustainability Reporting Directive (CSRD) regulations.

HOSPITAL BEATRIZ ÂNGELO CONTRACTUAL RISK

On 18 January 2022, the management contract for Hospital Beatriz Ângelo (HBA) has ceased to take effect. On that date, the Group, through its subsidiary SGHL, transferred the management of HBA, as well as all the assets necessary for the continuity of its operations, rights, obligations and workers assigned to the hospital, to the Public Contracting Entity – Administração Regional de Saúde de Lisboa and Vale do Tejo (ARS-LVT).

As a result of the COVID-19 pandemic (and the acts that were determined in this context), the activity carried out within the scope of the Management Contract entered into between the Portuguese State and SGHL for the management of HBA under a PPP regime, was significantly affected, with a very negative impact on the financial conditions for the development of the aforementioned contract.

This impact resulted in both a decrease in revenues and an increase in expenses. The decrease in revenues was due, namely, to the cancelation of the activity in HBA (for a long period of time, only the activity considered by administrative authorities as urgent or priority was maintained), whereas the increase in expenses was not covered by the obligations or risks contractually assumed by SGHL under the Management Contract with a clear impact on its activity and on its financial balance was due, in addition to other relevant causes in this context, to the extraordinary and unforeseen reinforcement of the human and material resources necessary to combat and/or mitigate the spread of the SARS-CoV-2 virus.

Consequently, the Group understands that, under the terms of the Management Contract, there is a right to receive a compensation for the financial rebalancing of the contract related to the operations carried out over the years 2020, 2021 and 2022 (during the term of the Management Contract).

As there is still no convergence of positions with the ARS-LVT regarding the right to receive this compensation, the Group chose not to record any revenue associated with it, having however triggered the mechanisms provided for in the Management Contract to have its right recognized, and it is estimated that it could reach an amount of around €51.4 million.

ENVIRONMENTAL INFORMATION

A concern with sustainable development in the environmental area, in order not to compromise the ability of future generations to meet their own needs, leads organizations to pay special attention to the topic of resource savings and energy efficiency. In this context, efforts have been made to disseminate information in Luz Saúde units regarding environmental protection: energy efficiency; saving resources to minimize environmental impact on energy, gas and water; reduction of gas and liquid emissions; adequate screening and treatment of waste, among others. The activities carried out by some of Luz Saúde's subsidiaries are governed by specific waste treatment legislation, and all applicable standards and directives have been complied with, at each site and for each specific activity. In addition, a series of training sessions have been held on the separation and treatment of various types of hospital waste, for employees of various Luz Saúde's units. When relevant, the subsidiaries outsourced the destruction of medical and toxic waste to specialized companies, as prescribed by law. In 2023, in the course of its business, the Group did not incur significant environmental costs. No environmental liabilities have been recorded in the financial statements, nor has any environmental contingency been disclosed given Management's belief that, on that date, there are no obligations or contingencies arising from past events with significant material costs for the Company.

The creation, in 2022, of the Luz Saúde Sustainability Office will allow a consolidated management of all aspects relating to this dimension, covering, in a structured way, the issues related to Environmental, Social and Governance Sustainability of the Luz Saúde Group.

OUTLOOK FOR 2024

In 2024, Luz Saúde will focus its efforts on units that have undergone expansion (Hospital da Luz Lisboa) or rehabilitation (Hospital da Misericórdia de Évora) processes, with the aim of boosting growth and improving their profitability. At the same time, it will also invest in the development of the most recent additions to its network (Hospital da Luz Clínica da Covilhã and Hospital da Luz Clínica Santa Maria da Feira, opened in 2022; and Hospital da Luz Clínica Luísa Todi in Setúbal, which began operating in 2023, in addition to Hospital da Luz Clínica da Carreira, which opened in March 2024).

Additionally, Luz Saúde will focus on leveraging its loyal client base through upselling and cross-selling initiatives, as well as optimizing its referral network in order to enhance the continuum of care.

At the same time, Luz Saúde will remain active in realizing opportunities for consolidation and expansion in the national market, namely in projects already underway such as the clinics in Leiria, Figueira da Foz, Vila Franca de Xira and Aveiro, Hospital de Santarém, or the new building to expand HL Torres de Lisboa.

The intensification of investment in the digitalization of processes and optimization of operational structures will continue, with the return on investments already made in the MY LUZ and LUZ 24 platforms, which have seen substantial growths in recent years (for example, the number of clients with MY LUZ exceeded 1.3 million in 2023), maintaining the effort to carry out not only scheduled and urgent video consultations, as well as the implementation of structured clinical programs, primarily based on digital media, in the areas of well-being and General and Family Medicine.

The training area will also remain a focus of the Luz Saúde Group, namely with the attribution of training suitability to more specialties at Hospital da Luz Lisboa (distinction awarded by *Ordem dos Médicos*), currently with around 50 residents, which, along with Hospital da Luz Lisboa becoming a University Hospital and the intense postgraduate training at Hospital da Luz Learning Health, reveals the Group's focus on training and talent retention. Reinforcement will also continue to be made in the training of non-clinical professionals.

The commitment to sustainability will also be maintained, through the implementation of the commitment 'Sustainable Development Goals 2030' of the United Nations, at the level of the Group and its units. By defining a phased implementation strategy for these SDG2030, the objective is to mainstream the ESG (Environment, Social and Governance) approach both in the Luz Saúde holding and in the Group's units.

With regard to the international expansion of Luz Saúde, the Group is actively analyzing opportunities for expansion to other geographies, in the context of the shareholder Fidelidade/Fosun.

Governance

LUZ SAÚDE'S GOVERNANCE SYSTEM

The Company is currently organized according to a corporate governance model inspired by the traditional model called "monista latino", and its corporate bodies are the General Meeting, the Board of Directors, the Supervisory Board, the Statutory Auditor and the Company Secretary.

The **General Shareholders Meeting** is the corporate body constituted by all the Company's shareholders, which has functions assigned in accordance with the provisions of the Portuguese Companies Code.

In accordance with paragraphs 1(a), 2 and 3 of Article 278 and Article 413(a)(a) of the Portuguese Companies Code, the Company maintained the Board of Directors as the sole management body, and the Company's supervision is assigned to a **Supervisory Board** and a **Statutory Auditor**. In this model, the Company's supervisory body has organic autonomy in relation to the management body (Board of Directors).

The **Board of Directors** is made up of a minimum of five and a maximum of nineteen directors, elected by the General Meeting, for periods of four years.

The Company's day-to-day management is delegated by the Board of Directors to the **Executive Committee**, therefore the Company follows an Anglo-Saxon-inspired model. Through this delegation of powers, it is intended to ensure greater efficiency in the conduction of day-to-day business.

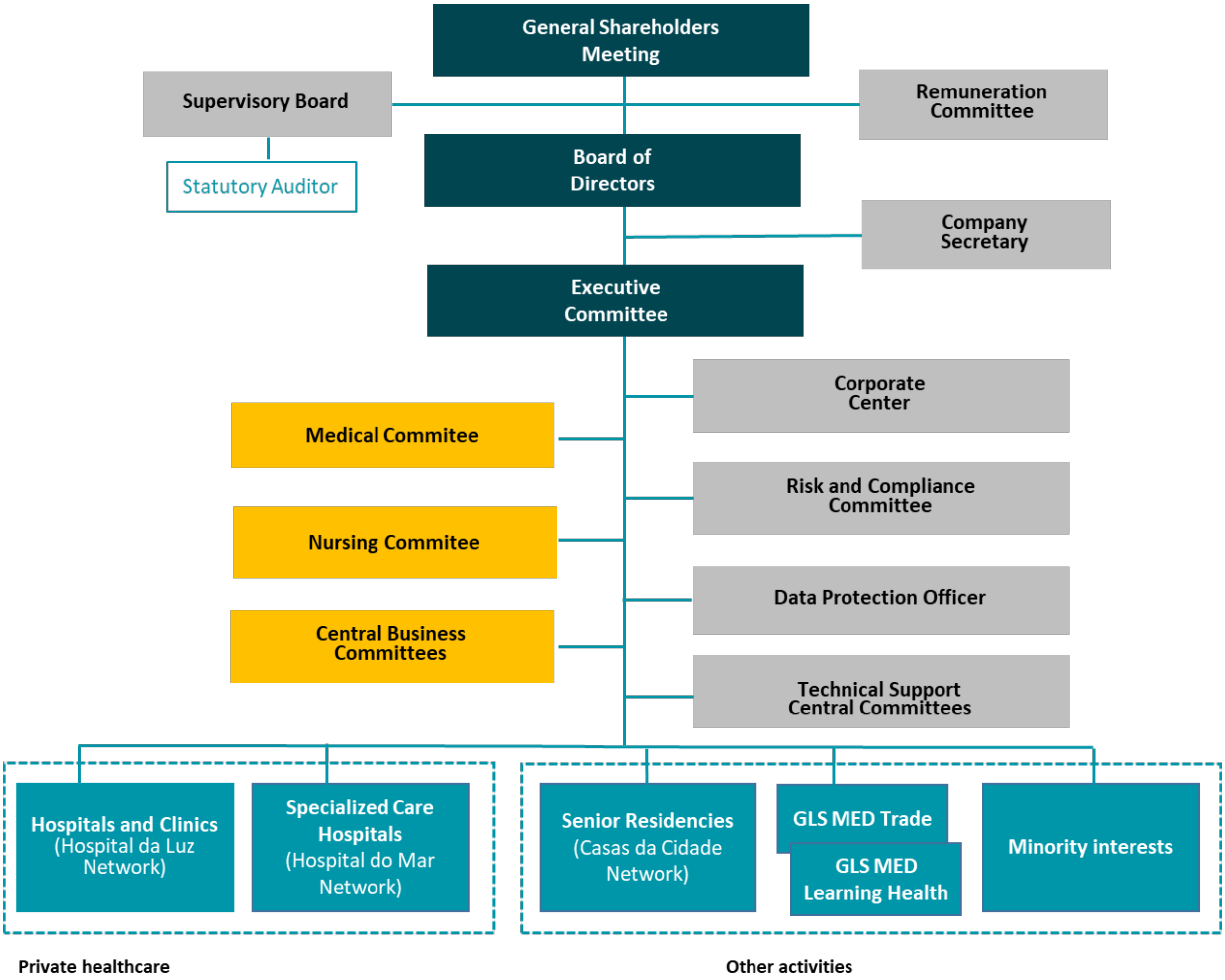
The Company is also supported by a **Remuneration Committee**, which is responsible for setting the remuneration of the holders of the Company's corporate bodies, and also has an active role in assessing the performance of Executive Directors, since it is responsible for setting their variable remuneration.

Taking into account the activity carried out by the Company, several committees were also set up to support the Executive Committee. From an operational point of view, the Clinical Committee (*Conselho Superior Clínico*), the Nursing Committee (*Conselho Superior de Enfermagem*) and the Central Business Committees were established. In corporate affairs, in addition to Central Departments, a Sustainability Office, a Risk and Compliance Committee and Technical Support Central Committees were set up. The Data Protection Officer ensures data security, protection and privacy.

There is also a Complementary Grouping of Companies ("ACE"), resulting from the combination of the Group's companies that operate healthcare units (except for SGHL – Sociedade Gestora do Hospital de Loures, S.A.), which provides shared services to the Company's subsidiaries, through all its Central Departments.

The Company owns and is responsible for the management of twenty-nine healthcare units, including twenty-seven private hospital and clinics in Mainland Portugal and Madeira, and a specialized rehabilitation care hospital, and it also owns and is responsible for the management of a senior residence.

The Company also owns GLSMED Trade, a company that distributes products, equipment and medical devices of Luz Saúde Group, and GLSMED Learning Health, which focuses on the basic and advanced training of students and professionals in the area of healthcare delivery and management.



Executive Committee

Isabel Vaz (CEO)

- Strategy and Business Analytics Department (DEAN)
- Human Resources Department (DRH)
- Training, Research and Innovation Department (DFII)
- Marketing and Communication Department (DMC)

- Value Based Healthcare Management Department (DGVS)
- Enterprise-Wide Nursing Programs Department (DPTE)
- Customer Service Department (DSC)
- Hospital da Luz Digital Department (HLD)

João Novais (CFO)

- Legal and Compliance Department (DJC)
- Finance and Audit Department (DFA)
- Administrative and Financial Services Department (DSAF)
- Logistics and Operational Support Department (DLSO)
- Central Pharmacy and Drugs Management Department (DCFM)
- Central Negotiation Department (DCN)

Tomás Branquinho da Fonseca (COO)

- Clinical Operations Design and Control Department (DDCOO)
- Commercial Department (DC)
- International Patient Services (IPS)
- Business Development Department (DNN)

Ivo Antão (CITO)

- Information Systems and Technologies Department (DSTI)
- Infrastructure, Maintenance and Equipment Department (DIME)
- Central Imaging Diagnostic Department (DCDI)

Artur Vaz (CRO)

- Risk Management and Quality Department (DGRQ)

MANAGEMENT TEAM

Superior Clinical Council

José Roquette

It is the structure responsible for the clinical coordination of the Luz Saúde Group units and for the clinical support to complaints with legal involvement.

Central Imaging Diagnostic Department

Pedro Patrício

Develops the strategy, manages and supervises the imaging diagnostic centers of the Group's units. It follows the innovation and market trends of the world medical image, manages the equipment park, ensures the adoption and compliance of radiological protection programs and participates in the projects of advanced image post-processing information systems.

Central Pharmacy and Drugs Management Department

Claúdia Santos

Operational structure to support the Group's units, in the scope of management, quality and safety of the drug circuit, coordination of resources, definition of processes and compliance with legal requirements and good practices. Defines the strategy of ensuring maintenance and sustainability of the supply chain of medicines, the optimization and standardization of therapeutic protocols, maximizing efficiency, safety and profitability.

Central Negotiation Department

Gabriela Valido

Procurement and negotiation of medical devices, current drugs and medical and general equipment needed by the Group's hospitals and clinics. Through careful selection of business partners, it promotes the creation of long-term partnerships, based on principles of ethics, trust and mutual commitment. Develops new types of cooperation and initiatives in areas such as innovation and research, risk sharing, training and dissemination of best clinical practices.

Commercial Department

Luís Martins

Its mission is to maintain, negotiate and manage the prices and conditions for the provision of healthcare with health service paying entities, in various areas and purposes, considering the price and margins criteria established. It ensures the agreement and consistency of the operational and contractual rules, necessary for the good execution of contracts, with the Units of the Group and the agreed entities. Participates, manages and maintains private pricing policy, in accordance with the Group's strategy and competition assessment. Participates and supports the development, placement and/or holding of local conventions or new products in the Group's units.

Clinical Operations Design and Control Department

Cristina Mesquita

It is responsible for increasing the efficiency of processes, through their reformulation and, if applicable, automation. It analyses flows, circuits and activities that do not add value to the process, with the double aim of disseminating the best practice throughout the Group, and complying with existing regulation in the sector.

Business Strategy and Analytics Department

Francisco Mota

Collects and processes operational and financial information from the Group's different business units, using the Business Intelligence tool. Also responsible for the Transformation Office, supporting the implementation of the strategy defined by the Executive Committee based on the management of the Group's eight signature processes.

Finance and Audit Department

Nuno Pires

Responsible for financial management, ensuring financing of operations, internal and external financial reporting, budget management, monitoring and coordination of accounting and tax policies and procedures, as well as financial audit work at Luz Saúde.

Training, Research and Innovation Department

Francisca Leite

Operates in several areas: training of health professionals, clinical and health science research, data science and innovation. Responsible for the Training and Simulation Centre, for the connection to the Católica-Luz Clinical Academic Centre and collaborates with entities in the R&D+I ecosystem in Portugal.

Risk Management and Quality Department

José Varela Gonçalves

Ensures the functioning of risk management processes, with integrity and homogeneity throughout the Group. Responsible for promoting systematic and consistent use of risk management strategies in an integrated perspective of continuous improvement of quality and customer safety, contributing to the development of a culture of safety, sharing knowledge and change. Monitors the effectiveness of the implementation of national and international quality benchmarks, by carrying out compliance tests at Luz Saúde's units. Its main objective is to ensure a consolidated vision of Risk and Compliance management, in particular, in clinical excellence in the provision of healthcare, for the maintenance and/or implementation of these same references.

Value-Based Healthcare Department

Filipe Costa

Implements the Value Based Healthcare program in the Group's hospitals and clinics: healthcare provided according to best practices, which are proven to achieve the best clinical results from the perspective of patients, with the lowest variation in costs used for maximum efficiency in the total care cycle.

Infrastructure, Maintenance and Equipment Department

Henrique Bentes

Responsible for monitoring and managing the life cycle of infrastructure and equipment in Hospital da Luz network, for the maintenance and management of buildings, consumption (water, electricity, gas), medical and non-medical equipment. Participates in and supports the licensing processes at different levels, the Group's engineering committee and all units of the Hospital da Luz network in the areas of its specialty.

International Patient Services Department

Eve Jokel

Defines the strategy and manages support services for international clients throughout the Hospital da Luz network. Responsible for publicizing this service, in collaboration with the Marketing and Communication Department, with a focus on promoting it among international communities connected to Portugal. Develops agreements with international entities to facilitate the access of foreign clients.

Hospital da Luz Digital Department

Petra Matias

Responsible for providing remote healthcare in a safe, simple and intuitive way; operationalizes scheduled and urgent video consultations throughout the Hospital da Luz network, provides the health monitor for sharing data between the client and the physician (for an integrated view and complete healthcare) and provides video consultations in various parts of the country.

Legal and Compliance Department

João Ferreira Rebelo

Provides legal advice to the entities of the Luz Saúde Group, contributes to the management bodies, central departments, business units and respective employees to comply with the applicable legislation and the rules and procedures (external and internal) in force, to mitigate risks and avoid losses resulting from activity. It advises the Board of Directors, the Executive Committee, and the Supervisory Board on matters of corporate governance and supports the Group in matters of data protection and privacy, through a specialized team including the Data Protection Officer.

Logistics and Operational Support Department

Pedro Lima

Operates on four main areas: supply chain management (purchase/distribution of medical devices and all logistical operations at Luz Saúde units); hotel management (provision of activity support services, such as cleaning, surveillance, food, clothing, waste management, disinfestation, car parks, vending, concession of spaces and management of central buildings); consumption management (implementation of the best practices for recording, monitoring and analyzing consumption); and management of the sterilization center.

Marketing and Communication Department

Marisa Morais

Defines and implements the marketing strategy in its various aspects: relational, product, channel, internal marketing, events, partnerships, communication, and corporate image. Responds to the production of content and its promotion, either through external channels (media and advertising), or through Luz Saúde's own communication channels, such as social networks, websites, corporate channel, corporate magazines, newsletters and scientific publications.

Business Development Department

Tomás Lino

Responsible for managing projects that allow the Group to increase its activity, through expansions, acquisitions, or construction of new units. Additionally, participates in the analysis of some business development opportunities for existing units, as well as in the preparation of Luz Saúde's financial forecasts.

Enterprise-Wide Nursing Programs Department

Jorge Humberto Sousa

Responsible for the implementation of evidence-based best practices in nursing, with a focus on creating value for internal and external clients, through a process of consensus and development at Luz Saúde's units. Coordinates the Superior Nursing Board, a clinical decision-making body, and collaborates in projects of the central departments that require the participation of nurses.

Human Resources Department

Anabela Lobo de Carvalho

Defines and implements the policies related to the management of human resources at Luz Saúde, based on strategic guidelines defined by the Executive Committee and in close coordination with all the Group's business units, with the aim of being able to attract, develop and retain exceptional people.

Customer Service Department

Nélson Brito

Responsible for managing the digital ecosystem of the Hospital da Luz network - MY LUZ - and for maintaining and developing the CRM tool, ensuring a 360º view of clients. Ensures remote access for customers to health care at the units, through the management of the Contact Center, as well as the urgent triage service LUZ 24. Together with hospitals and clinics, continuously reviews the defined processes, to improve the customer's experience.

Administrative and Financial Services Department

Ana Freire de Andrade

Responsible for the shared accounting services, treasury management and current accounts of the clients of the various Luz Saúde's business units. Performs all the billing activity to the various financing entities and participates in the preparation of budgets for clients. Supports the preparation and control of the annual budgets of Luz Saúde's units.

Information Systems and Technologies Department

David Vieira

Designs, implements, and maintains the Group's information systems and technologies, using its own resources or using technological partners. Integrates applications developed internally with solutions acquired on the market, to allow Luz Saúde to accelerate the transformation of its IT and to have the capacity for innovation. It is responsible for the continuous training of employees in good practices and for the modernization and technological reinforcement, to be able to protect, detect, respond, and recover in the event of a threat.

Sustainability Office

David Veloso

Luz Saúde aims to create a positive impact on people, society and on the planet, through innovation and the provision of excellent healthcare, ensuring the responsible management of resources and care for the people, health professionals and communities where it operates. It is up to the Sustainability Office to mainstream this ESG approach.

Luz Saúde performance

- Activity grew compared to 2022, in all areas of service, with special emphasis on emergencies, surgeries and births and consultations;
- Operating income grew by 11.3%, reaching €666.9 million (vs. €599.1 million in 2022), with special emphasis on the growth of the units already established in which the Group has invested in recent years, namely HL Lisboa (which completed in 2023 its third full year of activity after expansion works that increased its care capacity compared to 2019 by around 80%), HL Coimbra, HL Oeiras, HL Vila Real, HL Guimarães and HL Torres de Lisboa and, also combined with the growth of recent units, such as HL Clínica da Covilhã and HL Clínica Santa Maria da Feira, which began operating in 2022;
- EBITDA increased by 18.2% to €96.5 million (vs: €81.6 million in 2022), as a result not only of the increase in the level of activity, but essentially due to an improvement of the EBITDA margin, which in 2023 reached 14.5% (compared to 13.6% in 2022);
- Net income reaches €31.3 million, with a growth of 16.4%;
- Net debts decreased around 2.0% to €368.1 million, and the net debt/EBITDA ratio reduced to 3.8x.

Operational performance

Private healthcare (In thousands of clinical procedures)	2023	2022	Var
Consultations	2 251	2 103	7.0%
Emergencies	421	392	7.3%
Surgeries and Deliveries	68	64	7.0%
Imaging Exams	1 217	1 198	1.6%

Activity grew transversally compared to 2022, across all lines of service. It is worth highlighting the growth in Emergencies (+7.3%), Consultations (+7.0%) and Surgeries and Deliveries (+7.0%), with special emphasis on deliveries, with a growth of +11.7%.

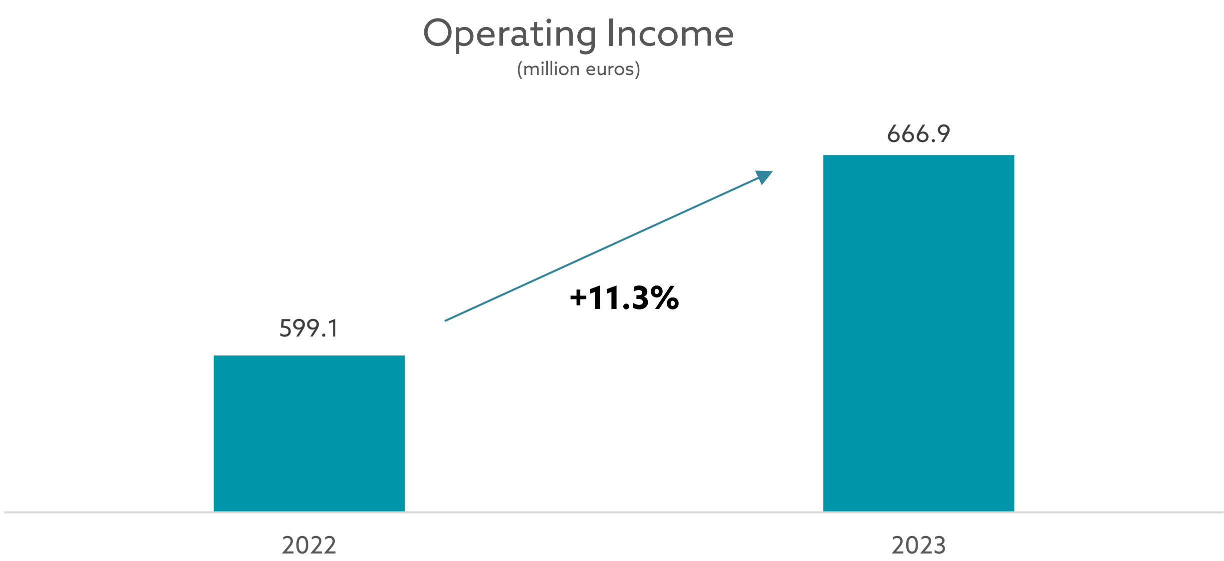
These figures are driven by the significant growth of the private healthcare segment.

FINANCIAL PERFORMANCE

Consolidated income statement			
(unit: million euros)	**31-Dec-23**	**31-Dec-22**	**Var.**
Operating income	**666.9**	**599.1**	**11.3%**
Operating costs, without depreciation and amortization	(570.4)	(517.4)	10.2%
EBITDA	**96.5**	**81.6**	**18.2%**
EBITDA margin	14.5%	13.6%	0.9 p.p.
Depreciation and amortization	(42.3)	(38.7)	9.1%
EBIT	**54.2**	**42.9**	**26.4%**
EBIT margin	8.1%	7.2%	0.9 p.p.
Financial results	(19.6)	(12.2)	59.9%
EBT	**34.6**	**30.6**	**13.0%**
Taxes	(3.8)	(2.4)	54.2%
Income from continuing operations	**30.8**	**28.2**	**9.4%**
Income from discontinued operations	**0.3**	**(1.5)**	**(119.8%)**
Net income for the year	**31.1**	**26.7**	**16.6%**
Net income attributable to non-controlling interests	0.1	0.2	-25.7%
Net income attributable to Luz Saúde shareholders	**31.3**	**26.9**	**16.4%**
EPS (euros)	0.327	0.281	16.4%

OPERATING INCOME

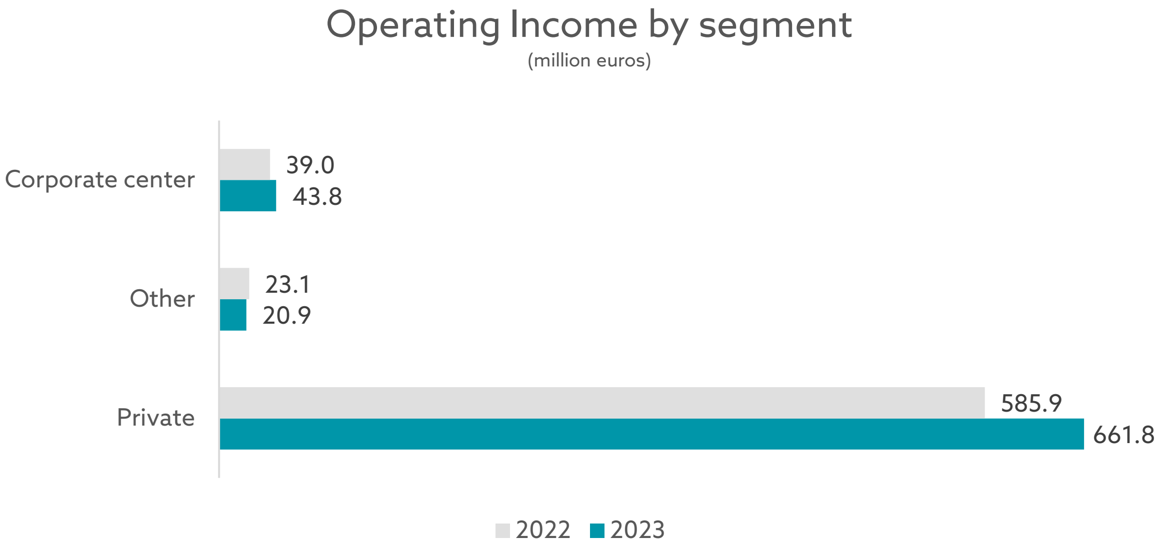
Operating income grew by 11.3%, reaching €666.9 million in 2023 (vs. €599.1 million in 2022).



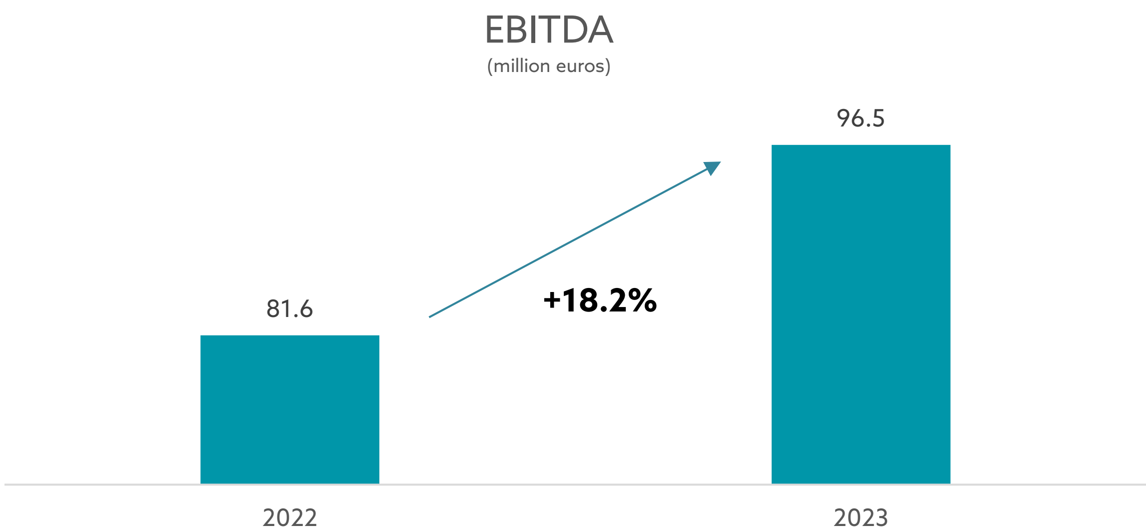
OPERATING INCOME BY SEGMENT

The growth in operating income was based on the private healthcare business segment, which grew by 13.0% compared to 2022, reaching an operating income of €661.8 million, with special emphasis on the growth of the units in that the Group has invested in recent years, namely Lisboa, Coimbra, Oeiras, Vila Real, Guimarães and Torres de Lisboa.

In the other businesses segment, operating income in 2023 amounted to €20.9 million, showing a decrease of around 9.4%, essentially due to a slowdown in the business of selling medical devices, which reached peaks of activity in periods of higher incidence of the COVID-19 pandemic, as well as a result of the sale of the unit Casas de Carnaxide in September 2022.

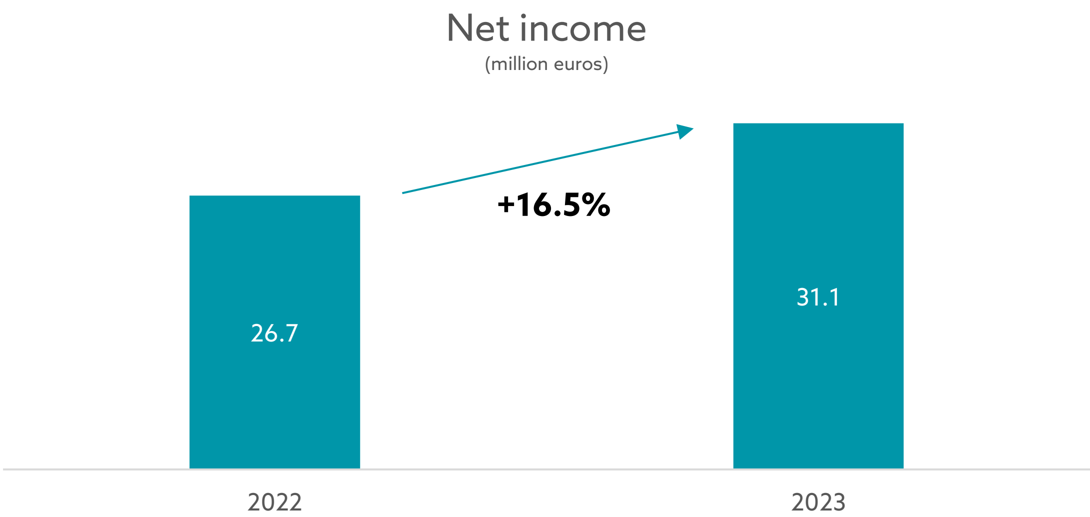


EBITDA

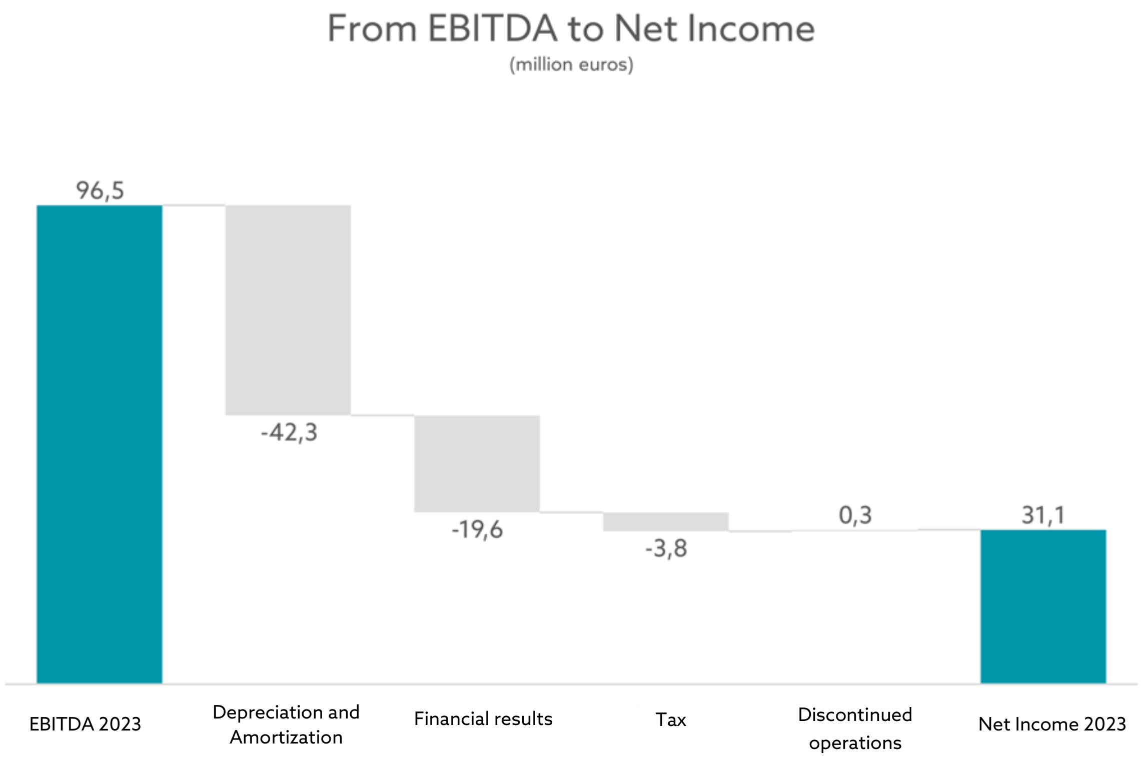


EBITDA grew by 18.2% compared to 2022, reaching €96.5 million. This growth in EBITDA was sustained by the growth in the level of activity of all units and by the significant improvement in the EBITDA margin, as a result of the effort made by Management to contain the growth of the cost structure, which in 2023 was filled with increased difficulties as a result not only of inflationary pressures that the global economy has suffered, but in particular the salary pressure to which the labor market in the healthcare area has been subject.

NET INCOME



Net profit compared to 2022 grew by 16.5% to €31.1 million, essentially due to the operational contribution of continuing operations and in particular the private healthcare segment.



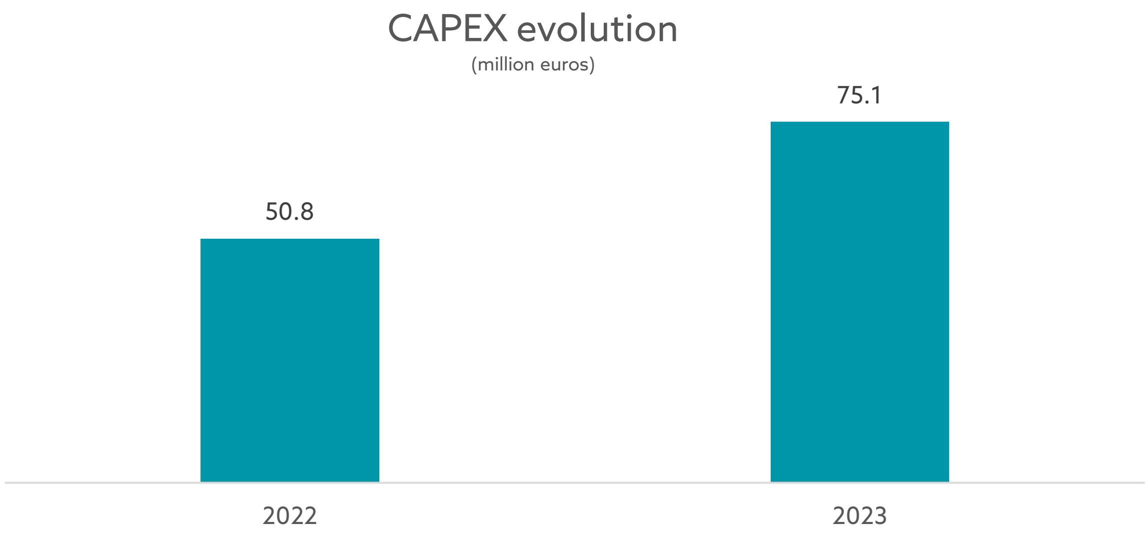
Depreciation and amortization, compared to 2022, grew by around 9.1%, as a result of the maintenance of the investment level, with special emphasis on the investment made in the expansion of the healthcare network (opening of Clínica Luísa Todi in Setúbal and expansion of Hospital da Misericórdia de Évora).

In turn, financial results had a significant growth compared to the previous year (+60%), as a result of the worsening of financing conditions, namely interest rates.

In terms of income tax, the growth in results had a direct impact on the increase in the income tax expense. A growth that was mitigated by the use of the different tax benefits, with particular emphasis on SIFIDE, reflecting the Group's continued commitment to Research and Development.

The discontinued operations refer in full to the operations of the public health care segment from 1 to 18 January 2022, which resulted from the end of the management contract of Hospital Beatriz Ângelo in public-private partnership regime and are now presented as discontinued operations.

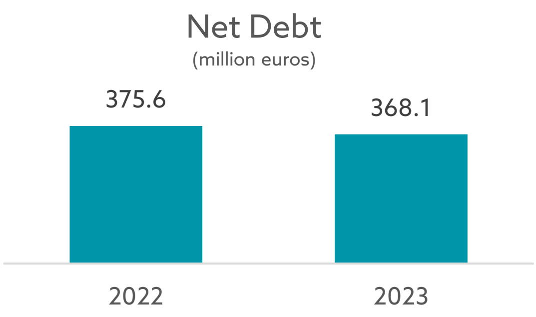
CAPEX

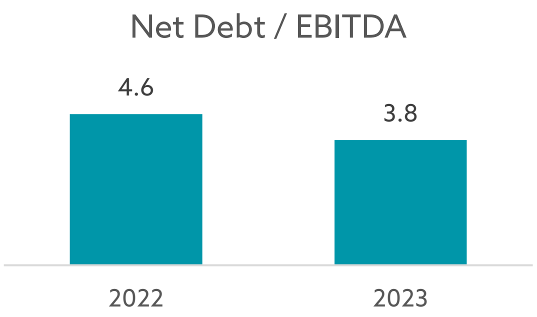


In 2023, Luz Saúde maintained a high level of investment in fixed assets (€75.1 million), of which around €35.1 million were invested in the expansion of the network of healthcare units, highlighting the opening of units in Setúbal (Luísa Todi) and Évora, and the continuation of ongoing expansion projects (clinics in Leiria, Figueira da Foz, Vila Franca de Xira, Aveiro and new Torres de Lisboa building).

On a cumulative basis, over the last five years, the Group invested around €306.0 million, of which around 52.9% was invested in projects to expand the healthcare network.

FINANCING





In terms of financing operations, 2023 was marked by a reduction in net debt of around €7.6 million, even though the Group has increased the investment levels compared to the previous year.

The net debt / EBTIDA ratio recorded a relevant improvement, going from 4.6 to 3.8. Much contributed to this sharp improvement, on the one hand, the positive evolution of the Group's performance in terms of growth in its results, and on the other hand, the effort made to reduce net debt.

SUBSEQUENT EVENTS

Between 31 December 2023 and the date of approval of this report, there were no relevant events that are not reflected herein.

PROFIT ALLOCATION PROPOSAL

In the year ended 31 December 2023, consolidated net income was €31,141,667.19 and net income in the individual accounts was €19,422,374.96.

The amount of the individual net profit results from the fact that the Company has, in accordance with the applicable accounting standards, recognized, in the accounts for the year, an amount of €668,485.30 as an amount assigned to the allocation of profits to Employees and Executive Directors of the Company. In the case of Executive Directors, the determination of this amount depends on the decision of the Company's Remuneration Committee.

As such, and in accordance with the legal and statutory provisions, the Board of Directors proposes that the net profit for the year ended 31 December 2023, in the amount of €19,422,374.96, calculated based on the individual financial statements, be applied as follows:

(i) Legal Reserve: €971,119.00

(ii) Unrestricted Reserve: €18,451,255.96

AUTHORIZATIONS GRANTED FOR TRANSACTIONS BETWEEN THE COMPANY AND ITS DIRECTORS

No authorizations have been granted for transactions between the Company and its directors, under Article 397 of the Portuguese Companies Code.

OTHER INFORMATION

INFORMATION ON SHAREHOLDINGS OF MEMBERS OF THE MANAGEMENT AND SUPERVISORY BODIES IN THE COMPANY'S SHARE CAPITAL, AS AT 31 DECEMBER 2023

Pursuant to Article 447(5) of the Portuguese Companies Code, Luz Saúde, SA hereby discloses that no members of the management and supervisory bodies hold any shareholdings in the Company, as at 31 December 2023.

Statutory Auditor

The Statutory Auditor, Ernst & Young Audit & Associados – SROC, SA, have no shareholding as at 31 December 2023, having made no transactions with any securities of Luz Saúde, SA.

Information about own shares

During the period between 31 December 2022 and 31 December 2023, there were no transactions with Luz Saúde own shares.

On 31 December 2023, Luz Saúde, SA did not hold any own shares.

Board of Directors

(Jorge Manuel Baptista Magalhães Correia)

(Isabel Maria Pereira Aníbal Vaz)

(Artur Aires Rodrigues de Morais Vaz)

(Fang Yao)

(Ivo Joaquim Antão)

(João Paulo da Cunha Leite de Abreu Novais)

(Margarida Maria Correia de Barros Couto)

(Maria Isabel Toucedo Lage)

(Rogério Miguel Antunes Campos Henriques)

(Teresa Alexandra Pires Marques Leitão Abecasis)

(Tomás Leitão Branquinho da Fonseca)

(Vítor Manuel Lopes Fernandes)

Financial Statements

CONSOLIDATED FINANCIAL STATEMENTS

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Consolidated statement of comprehensive income for the year ended 31 December 2023

Amounts expressed in thousands of euros

(free translation from the original version in Portuguese)

	Note	2023	2022
Continuing operations			
Revenue from services rendered	4.1	662 699	588 289
Revenue from sales of goods	4.1	582	3 791
Other operating income	8.1	3 576	6 974
Total operating income		**666 857**	**599 054**
Inventories consumed and sold	5	(89 538)	(85 028)
Cost of services and materials	6	(296 972)	(271 409)
Personnel expenses	7	(168 734)	(149 165)
Other operating expenses	8.2	(9 604)	(9 000)
Provisions, net of reversals	14.3	(3 884)	(3 102)
Impairment, net of reversals	8.3	(1 660)	284
Depreciation and amortization	8.4	(42 275)	(38 748)
Operating profit		**54 190**	**42 886**
Finance income	9	2 133	1 502
Finance costs	9	(21 709)	(13 743)
Profit before income tax		**34 614**	**30 645**
Income tax	10.1	(3 769)	(2 445)
Profit for the year from continuing operations		**30 845**	**28 200**
Discontinued operations			
(Loss) / Profit for the year from discontinuing operations	14.4	297	(1 501)
Profit for the year		**31 142**	**26 699**
Other comprehensive income:			
Items that maybe reclassified to profit or loss			
Cash flow hedges, net of tax	14.2	(1 729)	4 493
Other comprehensive income for the year		**(1 729)**	**4 493**
Comprehensive income for the year		**29 413**	**31 192**
(Loss) / Profit attributable to:			
Equity holders of the company		31 269	26 870
Non-controlling interests	13.4	(127)	(171)
(Loss) / Profit attributable to Equity holders of the company:			
From continuing operations		30 972	28 371
From discontinued operations		297	(1 501)
Comprehensive (loss) / income attributable to:			
Equity holders of the company		29 540	31 363
Non-controlling interests	13.4	(127)	(171)
Basic earnings per share:			
From continuing operations	13.3	0,324	0,297
Total attributable to equity holders of the company	13.3	0,327	0,281
Diluted earnings per share:			
From continuing operations	13.3	0,324	0,297
Total attributable to equity holders of the company	13.3	0,327	0,281

The accompanying notes form an integral part of these consolidated financial statements

Consolidated Balance Sheet at 31 December 2023

Amounts expressed in thousands of euros

(free translation from the original version in Portuguese)

	Note	2023	2022
Assets			
Non-current assets			
Property, plant and equipment	12.1	355 610	349 633
Right-of-use assets	12.2	133 800	112 057
Intangible assets	12.3	163 163	158 697
Deferred tax assets	10.3	12 322	8 741
Other non-current assets	11.2	2 028	2 702
Other receivables	11.1	1 995	1 713
Derivative financial instruments	14.2	2 140	4 327
Financial assets at fair value through profit or loss	14.1	15 661	12 604
Total non-current assets		**686 719**	**650 474**
Current assets			
Inventories	11.3	14 968	15 091
Other current assets	11.2	7 749	6 004
Trade and other receivables	11.1	120 134	109 757
Current income tax receivable		1 885	1 731
Cash and cash equivalents	13.5	37 718	47 352
		182 454	**179 935**
Assets held for sale and from discontinued operations	14.4	25 297	40 506
Total current assets		**207 751**	**220 441**
Total assets		**894 470**	**870 915**
Equity			
Equity and reserves			
Share capital	13.2.1	95 542	95 542
Share premium	13.2.2	61 796	61 796
Reserves and retained earnings	13.2.3	168 050	138 510
Total equity attributable to equity holders of the company		**325 388**	**295 848**
Non-controlling interests	13.4	592	1 007
Total shareholders' equity		**325 980**	**296 855**
Liabilities			
Non-current liabilities			
Borrowings	13.6	209 665	249 696
Lease liabilities	13.6	98 732	84 582
Provisions	14.3	14 034	10 085
Total non-current liabilities		**322 431**	**344 363**
Current liabilities			
Trade payables	11.4	40 057	33 360
Other payables	11.4	89 269	80 099
Borrowings and bank overdrafts	13.6	78 269	67 034
Lease liabilities	13.6	19 114	21 681
Contract liabilities	11.5	9 749	11 360
		236 458	**213 534**
Liabilities from discontinued operations	14.4	9 601	16 163
Total current liabilities		**246 059**	**229 697**
Total liabilities		**568 490**	**574 060**
Total equity and liabilities		**894 470**	**870 915**

The accompanying notes form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2023

Amounts expressed in thousands of euros

(free translation from the original version in Portuguese)

	Note	2023	2022
Operating activities			
Receipts from customers		653 855	583 297
Payments to suppliers		(387 358)	(345 166)
Payments to employees		(94 405)	(83 123)
Cash flow generated from operations		**172 092**	**155 008**
Income tax (paid) / received		(3 689)	(3 116)
Other payments related with operating activities, net		(71 336)	(62 828)
Net cash flow generated from operating activities of continuing operations		97 067	89 064
Net cash flow generated from operating activities of discontinued operations		4 499	3 877
Net cash flow generated from operating activities		**101 566**	**92 941**
Investing activities			
Proceeds from:			
Sale of business unit		121	7 315
Disposal of property, plant and equipment		531	49
Investment grants		-	3
Interest received		1 561	15
Other financial assets		224	-
Payments related with:			
Property, plant and equipment		(21 401)	(22 629)
Intangible assets		(9 193)	(4 859)
Acquisition of other financial assets		(3 147)	(3 000)
Net cash flow used in investing activities of continuing operations		(31 304)	(23 106)
Net cash flow used in investing activities of discontinued operations		-	(326)
Net cash flow used in investing activities		**(31 304)**	**(23 432)**
Financing activities			
Proceeds from:			
Borrowings		781 147	712 701
Payments related with:			
Borrowings		(829 468)	(692 451)
Lease liabilities	12.2.2	(29 710)	(29 197)
Interest and other similar expenses		(14 918)	(9 419)
Dividends paid to non-controlling interests		(285)	-
Acquisition of non-controlling interests		(2)	-
Net cash flow used in financing activities of continuing operations		(93 236)	(18 366)
Net cash flow used in financing activities of discontinued operations		-	(2 950)
Net cash flow used in financing activities		**(93 236)**	**(21 316)**
Change in cash and cash equivalents		**(22 974)**	**48 193**
Changes in the consolidation perimeter		-	(69)
Cash and cash equivalents at the beginning of the year	13.5	48 577	453
Cash and cash equivalents at the end of the year	13.5	**25 603**	**48 577**

The accompanying notes form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2023

Amounts expressed in thousands of euros

(free translation from the original version in Portuguese)

	Share capital	Share premium	Reserves and retained earnings	Total equity attributable to equity holders	Non-controlling interests	Total shareholders' equity
At 1 January 2022	95 542	61 796	107 147	**264 485**	1 178	**265 663**
Profit for the year	-	-	26 870	**26 870**	(171)	**26 699**
Other comprehensive income for the year	-	-	4 493	**4 493**	-	**4 493**
Comprehensive income for the year	**-**	**-**	**31 363**	**31 363**	**(171)**	**31 192**
At 31 December 2022	**95 542**	**61 796**	**138 510**	**295 848**	**1 007**	**296 855**
At 1 January 2023	95 542	61 796	138 510	**295 848**	1 007	**296 855**
Profit for the year	-	-	31 269	**31 269**	(127)	**31 142**
Other comprehensive income for the year	-	-	(1 729)	**(1 729)**	-	**(1 729)**
Comprehensive income for the year	**-**	**-**	**29 540**	**29 540**	**(127)**	**29 413**
Transactions with owners in their capacity as owners						
Acquisition of non-controlling interests (note 13.4)	-	-	-	**-**	(3)	**(3)**
Dividend distribution to non-controlling interests (note 13.4)	-	-	-	**-**	(285)	**(285)**
Total direct change in shareholders' equity	-	-	-	**-**	**(288)**	**(288)**
At 31 December 2023	**95 542**	**61 796**	**168 050**	**325 388**	**592**	**325 980**

The accompanying notes form an integral part of these consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(free translation from the original version in Portuguese)

A REPORTING ENTITY, RELEVANT EVENTS AND CHANGES IN THE CURRENT YEAR

1 REPORTING ENTITY

Luz Saúde, SA (hereinafter "Luz Saúde" or "company" and together with its subsidiaries named as "group") is a limited liability company, with registered office in Lisbon, Rua Carlos Alberto Mota Pinto 17 – 9° floor, registered at the Lisbon Commercial Registry Office with the number and tax ID 504 885 367, being the parent company of Luz Saúde group.

The group is composed by companies that operate in healthcare industry, in the management of acute hospitals, outpatient clinics, residential hospital and a senior residence with services (list of the entities that compose the group is included in note 1.2.1).

Luz Saúde is controlled by Fosun International Holdings Ltd (Fosun) through Fidelidade – Companhia de Seguros, SA (Fidelidade).

1.1 RELEVANT EVENTS OF 2023

The group's activity throughout 2023, its financial position and economic performance were impacted by the following events:

- Growth in operating income of 11.3% derived both from (i) increase in the volume of medical acts rendered by the group, and (ii) the price update of several medical services rendered by the group. This growth in revenue has impacted the operations of the group both in terms of profitability and an increase in the level of trade receivables balance and the inherent credit risk;
- Global financial market conditions, namely in terms of the growth of the Euribor interest rate index had a significant negative impact in the profitability of the group, as part of our debt is exposed to interest rate risk change;
- In operational terms, the group expanded its operations with the opening of a new clinic (Hospital da Luz Clinica Luísa Todi) in Setúbal and the opening of the expansion area of our hospital in Évora;
- In terms of expansion of its operations during 2023 the group maintained a relevant investment pace, with a total capital expenditure of €75.1 million (2022: €50.8 million), that includes €35.1 million (2022: €29.5 million) in the expansion of its operations, namely on the development of new healthcare units in Funchal, Figueira da Foz and Leiria and the acquisition of a plot of land at south of the Lisbon metropolitan area;

- During 2023, the group signed a lease contract for a period of 20 years to expand the area of Hospital da Luz Torres de Lisboa, the signature of this contract has contributed to a relevant increase of its net debt and right-of-use assets;
- The divestment process to dispose a real estate property that the group has in Oporto has progressed and a promissory sale and purchase agreement has been established with a potential acquirer, establishing the goals to be met to complete the transaction, which is expected to occur in 2024 (note 14.4);
- On the shareholders meeting held on 22 December 2023, Luz Saúde shareholders approved, among other, the following resolutions:
    - (i) a share capital increase up to a maximum nominal amount of €23 885 563 through the issue of 23 885 563 new ordinary shares with a nominal value of one euro to be paid in cash through an offer of shares for private subscription;
    - (ii) the admission to trade in the regulated market managed by Euronext Lisboa of all the shares of the company's capital, including the shares to be issued.

Following the share capital increase, Fidelidade – Companhia de Seguros, SA will dilute its current shareholding position, although it will maintain a majority participation in the company after the completion of these operations, which are planned to occur during 2024.

1.2 COMPANIES INCLUDED IN THE CONSOLIDATION AND CHANGES IN CONSOLIDATION SCOPE

1.2.1 GROUP AT 31 DECEMBER 2023

At 31 December 2023, the group includes the following companies:

	Registered office	Percentage of share capital held (1)		Segment
		2023	2022	
Parent company:				
Luz Saúde, SA	Lisbon	-	-	Corporate center
Subsidiaries:				
Capital Criativo Health Care Investments II, SA ("CCHCI II")	Lisbon	100,00%	100,00%	Private
Casas da Cidade - Residências Sénior, SA ("CASAS")	Lisbon	100,00%	100,00%	Other activities
CRB - Clube Residencial da Boavista, SA ("CRB")	Oporto	100,00%	100,00%	Private
GLSMED Learning Health, SA ("GLSLH")	Lisbon	100,00%	100,00%	Other activities
GLSMED Trade, SA ("GLST")	Lisbon	100,00%	100,00%	Other activities
HME - Gestão Hospitalar, SA ("HME")	Évora	100,00%	100,00%	Private
Hospital da Luz Arrábida, SA ("HAG")	V. N. Gaia	100,00%	100,00%	Private
Hospital da Luz Aveiro, SA ("HLA")	Aveiro	95,72%	95,71%	Private
Hospital da Luz Centro Clínico da Amadora, SA ("HL-CCA")	Amadora	100,00%	100,00%	Private
Hospital da Luz Coimbra, SA ("HLC")	Coimbra	100,00%	100,00%	Private
Hospital da Luz Guimarães, SA ("HLG")	Guimarães	100,00%	100,00%	Private
Hospital da Luz Oeiras, SA ("HLO")	Oeiras	100,00%	100,00%	Private
Hospital da Luz, SA ("HLL")	Lisbon	100,00%	100,00%	Private
Hospital Residencial do Mar, SA ("HRM")	Loures	75,00%	75,00%	Private
HOSPOR - Hospitais Portugueses, SA ("HOSPOR")	Póvoa de Varzim	100,00%	100,00%	Private
Luz Saúde - Serviços, ACE ("ACE") (2)	Lisbon	100,00%	100,00%	Corporate center
Luz Saúde - Unidades de Saúde e de Apoio à Terceira Idade, SA ("USATI")	Lisbon	100,00%	100,00%	Mix (3)
RML - Residência Medicalizada de Loures, SGPS, SA ("RML")	Lisbon	75,00%	75,00%	Private
Hospital da Luz Funchal, SA ("HLF")	Funchal	81,67%	81,67%	Private
SGHL - Sociedade Gestora do Hospital de Loures, SA ("SGHL")	Lisbon	99,99%	99,99%	Public
Surgicare - Unidades de Saúde, SA ("SURGICARE")	Lisbon	100,00%	100,00%	Private
Vila Lusitano - Unidades de Saúde, SA ("VLUSITANO")	Lisbon	75,00%	75,00%	Private

(1) the percentage of interest held includes the percentage directly and indirectly held by Luz Saúde, SA in each subsidiary.
(2) Luz Saúde - Serviços, ACE, incorporated without share capital. At 31 December 2023, groups twelve subsidiaries of the group. The percentage indicated refers to the voting rights held.
(3) Luz Saúde - Unidades de Saúde e de Apoio à Terceira idade, SA belongs simultaneously to the private and other activities segments.

1.2.2 CHANGES IN THE CONSOLIDATION SCOPE

In 2023, there were no relevant changes to the group scope towards 31 December 2022.

1.3 SUBSEQUENT EVENTS

No relevant subsequent events for reporting purposes occurred between 31 December 2023 and the date of approval of these financial statements by the Board of Directors.

2 FINANCIAL STATEMENTS APPROVAL

These financial statements were approved and authorized for issue by the Board of Directors on 15 March 2024. The General Shareholders' Meeting has the power to approve these financial statements in accordance with the commercial legislation in force in Portugal.

B PERFORMANCE FOR THE YEAR 2023

3 SEGMENT INFORMATION

[POLICY]

REPORT BY SEGMENTS

An operating segment is a component of the group: (i) which develops business activities from which it can earn revenue and incur in expenses; (ii) whose operating results are, on a regularly basis, reviewed by the group's chief operating decision maker for the purpose of making decisions on the allocation of resources to the segment and the assessment of its performance; and (iii) for which separate financial information is available.

The amounts reported in each segment arise from all the subsidiaries that are included in each segment presented in note 1.2.1, as well as from the elimination of transactions between subsidiaries of the same segment.

Segment information is presented consistently with the internal reporting produced and made available to the Executive Committee and to the Board of Directors of Luz Saúde based on which they monitor the group's operations, using total revenue and operating profit or loss by business segment as the main monitoring measures. Financial results and income tax are not analyzed in terms of business segment, as they are dependent on decisions taken at group level.

3.1 Description of segments and main activities

The main activities carried out by the group are organized into the following business segments:

- Private healthcare
- Other activities
- Corporate center

Until the year ended 31 December 2021, the activities of the group were allocated into four business segments: private healthcare, public healthcare, other activities and corporate center. In 18 January 2022 the PPP operated by the group through the Management Contract of Hospital Beatriz Ângelo has reached to its end, therefore the public healthcare segment was reclassified to be presented as discontinued operations.

At 31 December 2023, the private healthcare segment included the following business units:

- Thirteen hospitals dedicated to acute differentiated care, namely surgery, emergencies, inpatient treatments and specialized diagnostics, which are complemented by a strong capacity in the provision of non-acute primary care on an outpatient basis;
- Fourteen outpatient clinics dedicated to non-acute primary care, including clinical consultations in a wide range of medical and surgical specialties, complementary means of diagnostics and therapy (namely in the area of imaging and lab tests), and urgencies;
- One residential hospital, specialized in the provision of healthcare services, involving rehabilitation, medical or post-surgical convalescence, neurostimulation and general support for dementias (particular in the case of Alzheimer's disease), long-term care, palliative care and geriatric care, on a day-center or inpatient basis.

The other activities segment includes one senior residence unit for individuals of 65 years and older that seek a complete package of services in terms of accommodation, leisure and health. This senior residence work integrated and complementary to the residential and acute hospitals of the group. This segment also includes the trading and logistics business (serving both group companies and third-party entities), as well as the training, research and innovation, operating a state-of-the-art simulation centre for training healthcare professionals.

The corporate center segment provides shared services, among other, in the following areas: strategic and operational consulting, human resources, financial services, quality assurance, legal support, IT, maintenance of infrastructures, management of call centers, negotiation and supply, marketing and communication to the units of the different business segments.

3.2 PROFIT OR LOSS BY SEGMENT

The financial information related to performance for the years ended 31 December 2023 and 2022 for the different business segments is as follows:

December 2023

	Private healthcare	Other activities	Corporate center	Eliminations and adjustments	Consolidated
Operating Income					
Third party customers	657 516	5 548	17	-	663 281
Intersegment	1 473	14 464	43 755	(59 692)	-
Other operating income	2 655	920	1	-	3 576
Total operating income	**661 844**	**20 932**	**43 773**	**(59 692)**	**666 857**
Operating expenses	(600 561)	(23 497)	(48 463)	59 854	(612 667)
Operating profit or (loss)	**61 283**	**(2 565)**	**(4 690)**	**162**	**54 190**
Finance income					2 133
Finance costs					(21 709)
Financial results					**(19 576)**
Profit before income tax					**34 614**
Income tax					(3 769)
Profit for the year from continuing operations					**30 845**
Profit for the year from discontinuing operations					**297**
Loss attributable to non-controlling interests					(127)
Profit attributable to equity holders of the parent					**31 269**

December 2022

	Private healthcare	Other activities	Corporate center	Eliminations and adjustments	Consolidated
Operating Income					
Third party customers	582 543	9 503	-	34	592 080
Intersegment	503	13 068	35 159	(48 730)	-
Other operating income	2 825	525	3 808	(184)	6 974
Total operating income	**585 871**	**23 096**	**38 967**	**(48 880)**	**599 054**
Operating expenses	(540 151)	(25 797)	(39 138)	48 918	(556 168)
Operating profit or loss	**45 720**	**(2 701)**	**(171)**	**38**	**42 886**
Finance income					1 502
Finance costs					(13 743)
Financial results					**(12 241)**
Profit before income tax					**30 645**
Income tax					(2 445)
Profit for the year from continuing operations					**28 200**
(Loss) / Profit for the year from discontinuing operations					**(1 501)**
Loss attributable to non-controlling interests					(171)
Loss attributable to equity holders of the parent					**26 870**

Regarding the size of the group's main customers in terms of private healthcare service revenue, two customers represent a percentage greater than 17% each.

Intersegmental transactions are carried out at arm's length, on a similar basis to transactions with third parties.

3.3 EBITDA AND ADJUSTED EBITDA

Adjusted EBITDA is the performance measure followed by management to assess the performance of the group, and is calculated as follows:

	2023	2022
Profit before income tax	**34 614**	**30 645**
Finance income	(2 133)	(1 502)
Finance costs	21 709	13 743
Depreciation and amortization	42 275	38 748
EBITDA	**96 465**	**81 634**
Provision for legal risk (note 14.3.1.4)	3 297	3 297
Gain in the sale of business units (note 8.1)	-	(3 405)
Adjusted EBITDA	**99 762**	**81 526**

Adjusted EBITDA excludes (i) discontinued operations, (ii) the effects in 2023 and 2022 of the provision to address a legal risk associated with group's scope structure and (iii) in 2022 the gain generated in the sale of the shares of Casas Carnaxide.

3.4 OTHER INFORMATION

DECEMBER 2023

	Private healthcare	Other activities	Corporate center	Eliminations and adjustments	Consolidated
Depreciation and amortization (note 8.4)	35 551	1 342	5 729	(347)	42 275
Investment in property, plant and equipment (note 12.1)	26 283	543	553	-	27 379
Investment in intangible assets (note 12.3)	81	68	6 911	-	7 060

DECEMBER 2022

	Private healthcare	Other activities	Corporate center	Eliminations and adjustments	Consolidated
Depreciation and amortization (note 8.4)	32 401	1 530	4 913	(96)	38 748
Investment in property, plant and equipment (note 12.1)	14 672	140	6 796	-	21 608
Investment in intangible assets (note 12.3)	69	-	5 348	-	5 417

The group does not disclose information about the financial position by operating segments since this information is not used by the Board of Directors and the Executive Committee in the decision-making process.

4 REVENUE

[POLICY]

Revenue

Revenue or income is recognized whenever economic benefits are likely to flow to the group and it can be reliably estimated, being measured at the fair value of the consideration received or receivable, net of discounts granted and taxes. The revenue associated with the transaction is recognized with reference to the stage of completion of the transaction at the reporting date.

Healthcare revenue

The scope of healthcare services rendered in the private segment, revenue is recognized based on the activity produced in the period (as it is understood that in many of the activities the fulfillment of the performance obligation is substantially completed at the time that medical act is performed) valued by the price lists defined for each medical procedure performed, regardless of its actual billing.

Sale of goods

In the sale of goods made by the group, there is only one performance obligation, so revenue is recognized when the goods are transferred to the customer.

The criteria for recognizing the remaining activities are presented in note 19.11.4

[ESTIMATE]

Revenue valuation

Valuation of the healthcare procedures performed is estimated based on the price lists agreed with the clients, with the final amount of the consideration being billed only after the clinical/ administrative file closing, which for a part of the revenue is only known in the following year. The amount of revenue to be invoiced on 31 December 2023 amounts to €23.4 million (2022: €35.6 million), being recorded as an accrued income in trade and other receivables heading in the balance sheet (note 11.1.2).

4.1 REVENUE BY ACTIVITY AND TIMING OF REVENUE RECOGNITION

	2023	2022
Revenue from services rendered		
Hospitals	604 575	536 338
Outpatient clinics	41 433	36 077
Residencial care hospitals	9 720	8 462
Senior residences with services	4 260	5 090
Other services	2 711	2 322
	662 699	588 289
Revenue from sales of goods	582	3 791
	663 281	**592 080**
Timing of revenue recognition		
At a point in time	601 199	531 521
Over time	62 082	60 559
	663 281	**592 080**

2023 registered a significant growth in revenue from hospitals and outpatient clinics. This growth in revenue occurred on an overall basis in all healthcare units, with emphasis on HLL.

In the first quarter of 2023 a new outpatient clinic started its operation in Setúbal (2022: in the first half of 2022 two new outpatient clinics were opened in Santa Maria da Feira and Covilhã).

The decrease of revenue from senior residences with services is due to the fact that in 2022 includes the activity of subsidiary Casas Carnaxide until de date of its disposal (September 2022, note 8.1).

The item other services include mainly the amounts related to the operation of car parking and retail stores existing in the group's hospital units, as well as the revenue associated with the rendering of training services.

4.2 CONTRACT ASSETS AND LIABILITIES

Contract assets and liabilities can be presented as follows:

	2023	2022
Contract assets	-	-
Contract liabilities (note 11.5)	(9 749)	(11 360)
	(9 749)	**(11 360)**

The majority of the contract liabilities are related to advance payments made by clients of the private healthcare segment and the deferred revenue relates to the LUR established with its customers by the senior residence business unit.

5 INVENTORIES CONSUMED AND SOLD

	2023	2022
Inventories at 1 January	16 217	19 856
Inventories at 1 January from the public healthcare segment	-	(3 404)
Inventories at 1 January (note 11.3)	**16 217**	**16 452**
Purchases	90 104	84 481
Inventory regularizations	(527)	312
Write-off of inventories (note 8.2)	(581)	-
Inventories at 31 December (note 11.3)	**(15 675)**	**(16 217)**
Inventories consumed and sold	**89 538**	**85 028**

During 2023 the group has written-off inventories in the amount of €581 thousand (note 8.2) related to the activity of its trading subsidiary (GLST), this expense was included in profit or loss under the caption other operating expenses.

The inventory written-off was impaired in the amount of €418 thousand (note 8.3), and as such the group released this impairment provision, in the profit or loss statement under the caption impairment, net of reversals.

6 COST OF SERVICES AND MATERIALS

[ESTIMATE]

The group recognizes monthly an estimate for fees payable to its employees without a labor contract. This estimate is recorded based on the historic payments, the agreements established with each service provider, the time worked, the number of clinical procedures performed, and the nature of the services rendered. The final calculation of the amount payable may occur in the period after the approval of these financial statements and as such there may be differences between the estimated amounts and the final amounts paid. The estimate for fees payable on 31 December 2023 amounts to €38.0 million (2022: €36.1 million) (note 11.4), being recognized in the profit or loss, in the caption cost of services and material in the item subcontracts or professional fees.

	2023	2022
Subcontracts	137 697	131 254
Professional fees	105 260	91 368
Specialized work	18 234	15 141
Maintenance and repair	16 113	13 712
Security services	2 527	2 425
Fuel and other fluids	2 455	2 585
Electricity	2 451	2 933
Travel and accommodation	2 008	1 532
Marketing	1 824	1 594
Communication	1 656	1 563
Insurance	1 586	1 633
Leases	1 322	2 040
Materials	1 296	1 199
Other materials and services consumed	2 543	2 430
	296 972	**271 409**

The increase in the caption of cost of services and materials is in line with the growth of the group´s activity, especially in subcontracts and professional fees items. These two items include the amounts paid for healthcare services from the different units of the group to healthcare professionals who collaborate with the Group without a permanent contractual relationship.

The specialized work is related to the contracting of consultancy, most of which is related to IT systems. Maintenance and repair costs are related to the maintenance contracts related to the infrastructures operated by the group.

7 PERSONNEL EXPENSES

[POLICY]

Group personnel are entitled to one month of vacation period and one month of vacation allowance, a right acquired in the year prior to their payment. Additionally, according to the performance evaluation system in place, the personnel and Board of Directors executive members may receive a bonus in the case of achievement of certain objectives, a right usually acquired in the year prior to its payment. These commitments are recognized in the statement of profit or loss in the period in which the personnel and Board Directors acquire the referred rights, regardless of the date of their payment. The liability assumed is recognized in the balance sheet under other payables.

[ESTIMATE]

The group recognizes a monthly estimate for bonuses and other variable remunerations that considers the objectives agreed with the personnel and corporate bodies members, the achievement of those objectives and the general situation of the group's businesses. The variable remuneration of the executive members of the Board of Directors of Luz Saúde is determined by the Remuneration Committee based on the assessment made on the performance of the previous year, among other factors. The current cost estimate for the year recorded in the balance sheet under the caption other payables, is prepared based on Management's best estimate of the performance for the current year, with the final value only known in the following year. The amount recorded by the group on 31 December 2023 to face this liability amounts to €9.7 million (2022: €8.3 million).

	2023	2022
Corporate body remunerations	4 290	4 335
Personnel wages and salaries	130 387	114 676
Payroll related expenses	27 301	24 399
Other personnel expenses	6 756	5 755
	168 734	**149 165**

The number and distribution of the group's personnel by business segment can be presented as follows:

	Number at 31 December		
	2023	2022	Change
Private healthcare	5 421	5 263	158
Other activities	124	122	2
Corporate center	864	791	73
Total	**6 409**	**6 176**	**233**

The Auditor fees for the year 2023, can be presented as follows:

	2023	2022
Statutory audit	303	295
Other assurance services	507	54
	810	**349**

The statutory audit fees presented for the statutory of the annual accounts correspond to the contracted amounts. The remaining amounts refer to the amounts invoiced.

8 OTHER OPERATING INCOME AND EXPENSES

8.1 OTHER OPERATING INCOME

	2023	2022
Gain on sale of business unit	-	3 405
Operating grants	920	662
Other operating income and gains	2 656	2 907
	3 576	**6 974**

The gain on the sale of business unit in 2022 relates mainly to the gain generated in the disposal of Casas Carnaxide. With this operation, the group sold, in 2022, the business and the related assets to the operation of Residência Sénior de Carnaxide unit for an amount of €7.25 million.

8.2 OTHER OPERATING EXPENSES

	2023	2022
Taxes	7 794	7 093
Affiliation fees	307	294
Donations	94	378
Inventories write-off	581	-
Other operating expenses	828	1 235
	9 604	**9 000**

Taxes include the following, VAT, property tax, fees expenses and licenses expenses related to the group's activity, with the increase in this item being essentially explained by the increase in VAT.

8.3 IMPAIRMENT, NET OF REVERSALS

	2023	2022
Trade and other receivables (note 15.1.3.3)	2 094	568
Inventories (note 11.3)	(418)	225
Property plant and equipment (note 12.1)	(16)	(1 077)
	1 660	**(284)**

8.4 DEPRECIATION AND AMORTIZATION

	2023	2022
Property, plant and equipment (note 12.1)	17 426	15 878
Right-of-use assets (note 12.2)	22 212	20 777
Intangible assets (note 12.3)	2 637	2 093
	42 275	**38 748**

9 FINANCE COST, NET

[POLICY]

Finance costs include interest incurred, losses from fair value of financial assets and other bank costs related to the financing of the group's operations, being recognized in the statement of profit or loss on an accrual basis.

Finance income includes interest, gains from fair value of financial assets and gains from derivative financial instruments, being recognized in the period to which they relate. Dividends are also recognized from the moment the obligation to distribute dividends is constituted by the investee.

	2023	2022
Finance costs		
Interest costs	19 623	11 100
Loss on fair value of financial assets (note 14.1.2)	517	148
Interest from derivative financial instruments (note 14.2.3)	-	754
Other finance costs	1 569	1 741
	21 709	**13 743**
Finance income		
Interest income	(22)	(295)
Gain on fair value of financial assets (note 14.1.2)	(292)	(121)
Interest from derivative financial instruments (note 14.2.3)	(1 819)	-
Gains from derivative financial instruments (note 14.2.3)	-	(1 086)
	(2 133)	**(1 502)**
Financial cost, net	**19 576**	**12 241**

9.1 INTEREST COSTS

The growth in interest costs is mainly due to the impact of the change in the Euribor index rate in 2023.

Interest costs item can be presented as follows:

	2023	2022
Commercial paper	6 777	2 960
Lease liabilities	5 908	3 440
Bank loans	5 867	3 925
Bond loans	1 073	522
Other loans	388	366
	20 013	**11 213**
Capitalized interest	(390)	(113)
Total interest in the profit or loss	**19 623**	**11 100**

9.2 OTHER FINANCE COSTS

Other finance costs include mainly expenses with borrowings contracted by the group (set up and maintenance fees), recognized through profit or loss applying the effective interest rate method.

10 INCOME TAX

[POLICY]

Income tax includes current and deferred tax. Income taxes are recognized in the statement of profit or loss, except when they are related to items recognized directly in equity, in which case they are also recorded in equity.

Current taxes are those that are expected to be paid based on the taxable income calculated in accordance with the tax rules in force and using the approved or substantially approved tax rate. Deferred taxes are calculated according to the liability method based on the reporting date, on temporary differences between the book values of the assets and liabilities, and their tax base, using the tax rates approved or substantially approved at the reporting date and that are expected to be applied when the temporary differences are reversed. Deferred tax assets are recognized only to the extent that it is expected that there will be taxable profits in the future, to use the temporary differences.

Luz Saúde is taxed according to the special tax regime for groups of companies (RETGS), which covers all entities in which the parent company of the tax group participates, directly or indirectly, in at least 75% of the share capital and as long as they comply with the requirements established in the Corporate Income Tax Code (CIRC).

The group offsets deferred tax assets and liabilities whenever: (i) the group has the legally enforceable right to offset current tax assets and current tax liabilities; (ii) deferred tax assets and liabilities relate to income taxes levied by the same tax authority and on the same taxable entity or on different taxable entities that intend to settle current tax liabilities and assets on a net basis, or realize the assets and settle liabilities simultaneously, in future periods when deferred taxes are expected to be settled or recovered.

[ESTIMATE]

The calculation of income tax and deferred tax amounts requires certain interpretations and estimates. There are several transactions and calculations for which the determination of the final amount of tax payable is uncertain during the normal business cycle. Other interpretations and estimates could result in a different level of taxes on profits, current and deferred, recognized in the period, of which we highlight:

- the recognition of deferred tax assets only to the extent that it is expected that there will be taxable profits in the future, sufficient to use the deductible temporary differences. At 31 December 2023, the group has tax losses in the approximate amount of €0.8 million (2022: €0.8 million) for which no deferred tax assets have been recognized.

- recognition of current and deferred tax assets in relation to tax credits arising from investment in research and development projects under SIFIDE tax incentives. Bearing in mind that the value of the tax credit for each year is only known in the following year, the group estimates the value of the tax credit based on efforts made in the year and historical approval rates, weighted by a prudence coefficient. At 31 December 2023, the amount recorded based on an estimated basis amounts to approximately €1.8 million (2022: €1.8 million, from which 0.7 million is included in assets from discontinued operations).

The Tax Authorities are responsible for reviewing the calculation of the tax assessment made by the group over a period of four to ten years, in the event of carried forward tax losses (five years for Social Security). It is possible that there may be corrections to the tax returns, mainly resulting from differences in the interpretation of tax law. However, the Board of Directors believes that there will be no significant corrections to taxes on profits recorded in the financial statements.

10.1 INCOME TAX ON THE STATEMENT OF PROFIT OR LOSS

The breakdown of the income tax at 31 December 2023 and 2022 can be analyzed as follows:

	2023	2022
Tax reported in the statement of profit or loss, is related with:		
Tax from continuing operations	(3 769)	(2 445)
Tax from discontinuing operations (note 14.4.5)	2 426	446
Total of tax reported in the statement of profit or loss	**(1 343)**	**(1 999)**
Tax from continuing operations:		
Current tax	(9 778)	(4 697)
Tax from previous years	645	(186)
Deferred tax	5 364	2 438
Total of tax from continuing operations	**(3 769)**	**(2 445)**

10.2 RECONCILIATION OF THE EFFECTIVE TAX RATE OF INCOME TAX

The tax rate reconciliation can be analyzed as follows:

	2023	2022
Profit for the year from continuing operations	30 845	28 200
(Loss) / Profit for the year from discontinuing operations	297	(1 501)
Income tax	1 343	1 999
Profit before income tax	**32 485**	**28 698**
Nominal income tax rate	21,00%	21,00%
	(6 822)	(6 027)
Local and state surtax	(2 346)	(1 300)
Gain in the sale of CASAS CARNAXIDE	-	735
Autonomous taxation	(674)	(525)
Tax benefits related to SIFIDE	7 043	3 118
Other tax benefits	324	905
Tax from previous years	645	186
Other effects	487	909
	(1 343)	**(1 999)**

10.3 DETAIL OF DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities at 31 December 2023 and 2022 can be presented as follows:

	2022	Recognized in the profit or loss	Without effect in the profit or loss	Recognized in OCI	2023
Deferred tax assets					
Valuation of property, plant and equipment	670	(3)	-	-	667
Provisions and impairment losses	3 939	861	-	-	4 800
Tax losses carried forward	3 003	90	(396)	-	2 697
Other assets	10 547	5 773	(1 847)	-	14 473
	18 159	**6 721**	**(2 243)**	-	**22 637**
Deferred tax liabilities					
Valuation of property, plant and equipment	(4 268)	628	-	-	(3 640)
Goodwill	(1 111)	(160)	-	-	(1 271)
Derivatives (note 14.2)	(678)	-	-	460	(218)
Other liabilities	(3 361)	(1 825)	-	-	(5 186)
	(9 418)	**(1 357)**	**-**	**460**	**(10 315)**
Deferred tax, net	**8 741**	**5 364**	**(2 243)**	**460**	**12 322**

	2021	Recognized in the profit or loss	Without effect in the profit or loss	Recognized in OCI	2022
Deferred tax assets					
Valuation of property, plant and equipment	714	(44)	-	-	670
Provisions and impairment losses	8 088	(655)	(3 494)	-	3 939
Tax losses carried forward	6 002	1 215	(4 214)	-	3 003
Derivatives (note 14.2)	517	-	-	(517)	-
Other assets	10 080	3 637	(3 170)	-	10 547
	25 401	**4 153**	**(10 878)**	**(517)**	**18 159**
Deferred tax liabilities					
Valuation of property, plant and equipment	(4 174)	(94)		-	(4 268)
Goodwill	(952)	(159)	-		(1 111)
Derivatives (note 14.2)	-	-		(678)	(678)
Other liabilities	-	(1 462)	(1 899)	-	(3 361)
	(5 126)	**(1 715)**	**(1 899)**	**(678)**	**(9 418)**
Deferred tax, net	**20 275**	**2 438**	**(12 777)**	**(1 195)**	**8 741**

The amount presented in the column without effect on profit or loss in 2022, is related essentially to the transfer of the public segment operations to discontinued operations. In 2023, the amounts refer to the use of the tax credit related to tax losses and tax incentives.

10.3.1 DETAIL OF OTHER DEFERRED TAX ASSETS

The other assets item can be detailed as follows:

	2023	2022
SIFIDE	11 844	7 712
Conventional remuneration of share capital	468	582
CFEI II	417	562
Other	1 744	1 691
Other deferred tax assets	**14 473**	**10 547**

10.4 DEFERRED TAX RECOGNIZED IN OCI

Deferred tax liability recognized directly in OCI refers to the tax effect related with the fair value of the derivative contracts that the group recognizes directly in OCI.

10.5 TAX LOSSES

At 31 December 2023, the group has tax losses carried forward of €13.6 million (2022: €15.1 million), which generates a tax credit of approximately €2.9 million.

These losses were generated by group subsidiaries prior to their inclusion in the tax group, and as such they can only be used by the subsidiaries on a stand-alone basis.

10.6 OECD MODEL RULES – PILLAR TWO

Fosun group complies with the application requirements of European Directive 2022/2523 of 15 December 2022, usually referred to as Pillar Two. Consequently, the company is also obliged to comply with the requirements of said legislation.

The date of enactment of the legislation is quite recent, its application is dependent on the transposition, still in progress, of the measures of the Directive by the Portuguese State into national legislation, and the adoption by the group is dependent of the instructions of the group in which the company is included. As such, the company together with Fosun group and the group's tax representative in Portuguese territory (Longrun SGPS, SA), are currently evaluating the impacts that the legislative change may have, and as such the adoption of the normative had no material impact on the preparation of these financial statements, and the group has no known tax exposure related to this matter.

The group applies the exception to recognizing and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments to IAS 12.

C FINANCIAL POSITION

11 WORKING CAPITAL

The group working capital on 31 December 2023 and 2022, can be presented as follows:

	2023	2022
Trade and other receivables (note 11.1)	120 134	109 757
Other current assets (note 11.2)	7 749	6 004
Inventories (note 11.3)	14 968	15 091
Current income tax receivable	1 885	1 731
Trade payables (note 11.4)	(40 057)	(33 360)
Other payables (note 11.4)	(89 269)	(80 099)
Contract liabilities (note 11.5)	(9 749)	(11 360)
Working capital	**5 661**	**7 764**

11.1 TRADE AND OTHER RECEIVABLES

[POLICY]

Trade and other receivable are recognized at their fair value since they have no implicit interest and are classified as assets, and they are subsequently measured using the amortized cost method, which is estimated to be identical to its nominal amount, less impairment losses associated with them.

If collection is expected to occur within one year or less after the date of the reporting date, the assets are classified as current assets, otherwise, they are classified as a non-current asset.

A contract asset is a right to receive cash in exchange for goods or services transferred to the customer, which is conditional on the fulfillment of an additional performance conditions.

[ESTIMATE]

Impairment losses related to doubtful debts are based on the group's assessment of the probability of recovering the accounts receivable balance (note 15.1) and on the results of the expected credit loss impairment model applied to credits of an operational nature. Both the valuation process and the expected credit loss simplified provisioning model vary depending on the time of default, the debtor's credit history, the nature of his activity and the deterioration of the debtors' credit situation. At 31 December 2023 the group had a provision level for impairment of receivables resulting from its commercial operations of 13% (2022: 12.5%). If the debtors' financial conditions deteriorate, impairment losses may be higher than expected.

	2023	2022
Trade receivables		
Trade receivables	63 242	52 083
Trade receivables - related parties (note 18)	21 455	16 753
Accrued income for clinical services to be invoiced (note 11.1.2)	23 358	35 564
Doubtful trade receivables	24 423	17 841
Impairment of trade receivables (note 15.1.3)	(17 239)	(15 231)
	115 239	**107 010**
Other accounts receivables		
Other accrued income (note 11.1.2)	1 120	1 258
State and other public entities (note 11.1.3)	3 775	3 328
Other receivables	1 995	292
Impairment of other receivables (note 15.1.3)	-	(418)
	6 890	**4 460**
	122 129	**111 470**
From which:		
Current	120 134	109 757
Non-current	1 995	1 713

11.1.1 TRADE RECEIVABLES

11.1.1.1 Classification as trade receivables

Trade receivables are amounts due for services rendered or sales made in the ordinary course of the group's business. They are generally due for settlement within 30 days and are therefore all classified as current.

11.1.1.2 Factoring

[POLICY]

Financial assets are derecognized when (i) the group's contractual rights to receive future cash flows expire, (ii) the group has substantially transferred all the risks and benefits associated with its ownership or (iii) nevertheless retains part, but not substantially, of the risks and benefits associated with its ownership of the receivables and the group as transferred the control over its assets.

The group uses full factoring to anticipate the financial inflow associated with some of its receivables. Full factoring, to the extent that it substantially transfers the rights and risks over the financial assets to third parties (namely credit and default risk and cash flow risk from a contractual date), allows the group to derecognize these assets. At 31 December 2023, the amounts derecognized under full factoring amount to approximately €18.1 million (2022: €17.4 million).

11.1.1.3 Fair value of trade receivables

Due to the short maturity of the trade receivable balances, it is considered that their carried amount has no relevant difference to their fair value.

11.1.1.4 Trade receivable impairment and credit risk

Information about trade receivable impairment and the group's exposure to credit risk is presented in note15.1. During the year, an impairment loss of €2 094 thousand (2022: €568 thousand) was recognized in the profit or loss statement under impairment, net of reversals (note 8.3).

11.1.2 ACCRUED INCOME

	2023	2022
Clinical services to be invoiced	23 358	35 564
Other accrued income	1 120	1 258
	24 478	**36 822**

Clinical services to be invoiced refers to services already rendered with no additional performance obligations to be fulfilled, waiting for the completion of the billing process. Despite the increase in group revenue, this heading decreased due to the efforts made by the group to reduce the balance of services to be invoiced.

11.1.3 STATE AND OTHER PUBLIC ENTITIES

	2023	2022
Value Added Tax	3 775	3 328
	3 775	**3 328**

Value added tax balance refers to VAT deducted that entitles the group to demand for its reimbursements or that can be used to offset future VAT payable.

11.2 OTHER CURRENT AND NON-CURRENT ASSETS

	2023	2022
Deferred expenses	8 228	5 908
Advances to suppliers	1 549	2 798
	9 777	**8 706**
From which:		
Current	7 749	6 004
Non-current	2 028	2 702

11.3 INVENTORIES

[POLICY]

Inventories comprise materials to be used by healthcare units and goods for sale to third parties within the scope of the GLST subsidiary's activity. In both cases materials are valued at the lower between acquisition cost and net realizable value. The acquisition cost comprises the expenses incurred until the storage of the inventories, using the weighted average cost.

The net realizable value corresponds to the estimated selling price less estimated selling costs.

	2023	**2022**
Drugs	4 455	4 294
Clinical devices	10 573	11 381
Other	647	542
	15 675	16 217
Impairment of inventories	(707)	(1 126)
	14 968	**15 091**

11.3.1 AMOUNTS RECOGNIZED IN PROFIT OR LOSS

In note 5 are presented the details of inventories consumed and sold.

During 2023 the group reversed €418 thousand (note 8.3) of a previous period inventory write-down, as the stocks impaired have been destroyed during 2023. The reversal of the impairment was included in the profit or loss statement under impairment, net of reversals.

11.4 TRADE AND OTHER PAYABLES

[POLICY]

Trade and other payables include the liabilities related to the acquisition of goods or services by the group in the normal course of its activities. If payment is due within one year or less after the reporting date, they are classified as current liabilities, otherwise, they are classified as non-current liabilities.

Trade and other payables, considered as current liabilities, are initially recognized at their fair value less transaction costs incurred and are subsequently measured at amortized cost based on the effective rate method, which is estimated to be identical to its nominal value, ie, at cost.

	2023	2022
Trade payables (note 11.4.1)		
Trade payables	34 857	27 997
Trade payables - related parties (note 18)	132	128
Fixed asset suppliers	5 068	5 235
Trade payables total	**40 057**	**33 360**
Other payables		
Other payables - accrued expenses (note 11.4.2)		
Professional fees payable	38 040	36 073
Personnel related expenses	32 440	28 571
Accrued expenses LURs	548	553
Other accrued expenses	9 541	7 483
	80 569	**72 680**
Other payables - other creditors (note 11.4.3)		
State and other public entities (note 11.4.3.1)	5 904	5 277
Other creditors	2 796	2 142
	8 700	**7 419**
Other payables total	**89 269**	**80 099**
Trade and other payables total	**129 326**	**113 459**

11.4.1 TRADE PAYABLES

11.4.1.1 Classification as trade payables

Trade payables balances are amounts due for services or goods acquired in the normal course of the group's business. They are unsecured balances with a payment term between 30 to 90 days.

11.4.1.2 Fair value of trade payables

Due to the maturity associated with the balances presented above, it is considered that their carrying value has no material difference to their fair value.

11.4.2 OTHER PAYABLES - ACCRUED EXPENSES

The item professional fees payable refers to the liability estimated with professionals without permanent labor contract with the group. This estimate is recorded based on the historical amounts, the agreements established with each services provider, its work time and number of clinical acts performed.

The item personnel related expenses include the liabilities for personnel's vacation period, vacation allowance and the variable remuneration.

Accrued expenses LURs (lifetime use rights) result from the recognition of the liability associated with lifetime use contracts for senior residences operated by the group.

Other accrued expenses refer to the estimate liability incurred in the contracting of services related with the group operations.

11.4.3 OTHER PAYABLES – OTHER CREDITORS

11.4.3.1 State and other public entities

	2023	2022
Social security contributions	3 034	2 744
Personal income tax	1 899	1 876
Value added tax	971	657
	5 904	**5 277**

11.5 CONTRACT LIABILITIES

[POLICY]

Contract liability is an obligation to transfer goods or services to a customer, for which the group has already received the amount (or the amount is already due) from the customer. If the customer pays the amount before the group transfers the goods or services to him, the liability for the contract is recognized upon payment or the payment becomes due (whichever comes first). Contract liability is usually recognized as revenue when the group executes the contract.

The group recognized the following contract liabilities:

	2023	2022
Deferred income LRUs	2 722	2 642
Advances from clients	7 027	8 718
	9 749	**11 360**

Deferred income LRUs (lifetime rights of use) are related to the business of senior residences, the income from the sale of these rights is initially recorded in deferred income and is regularly recognized as revenue on a straight-line basis over the expected life of each client. These balances as well as the amount of advanced from clients meet the criteria to be considered as a contract liability.

12 FIXED ASSETS

The group's capital expenditure, for the years ended 31 December 2023 and 2022, can be presented as follows:

	2023	2022
Property, plant and equipment (note 12.1.1)	27 379	21 608
Right-of-use assets (note 12.2.1)	40 614	23 789
Intangible assets (note 12.3.1)	7 060	5 417
Capital expenditure	**75 053**	**50 814**

Approximately €35.1 million (2022: €29.5 million) refers to expansion investment. The remaining investment refers essentially to the acquisition of clinical equipment for several units of the group and the refurbishment of the healthcare unit Hospital da Luz Torres de Lisboa e Hospital da Luz Setúbal.

At 31 December 2023, the group had assumed investment commitments in the amount of €18.3 million (2022: €2.5 million).

12.1 PROPERTY, PLANT AND EQUIPMENT

[POLICY]

Property, plant and equipment is valued at acquisition/ construction cost less accumulated depreciation and impairment losses. The acquisition/ construction cost includes the invoice price, transportation and assembly expenses, financial charges, and exchange rate differences on bank loans, incurred during the construction period, and any indirect costs attributable to it during the construction period.

Gains or losses arising from the disposal of property, plant and equipment are determined by the difference between the disposal amount less transaction costs and the carrying amount of the asset, this gain or loss is recorded in the statement of profit or loss under other operating income or other operating expenses.

Property, plant and equipment in progress includes the assets still in the construction phase and are recorded at acquisition cost. These assets are depreciated from the month in which they are fully available to be used for their intended purposes.

Land is not depreciated. Depreciation of the remaining property, plant and equipment assets is calculated using the straight-line method, starting from the month in which the assets are available for use. The depreciation rates used correspond, on average, to the following estimated useful lives:

	Years
Buildings	4 – 40
Basic equipment	2 – 20
Transport equipment	3 - 8
Office equipment	2 – 20
Other property, plant and equipment	3 – 20

Depreciation ceases when the assets are classified as held for sale.

When there is an indication that an asset may be impaired, its recoverable amount is estimated, and an impairment loss is recognized whenever the carried amount of an asset exceeds its recoverable amount. Impairment losses are recognized in the profit or loss, in the caption impairment, net of reversals.

[ESTIMATE]

Depreciation is calculated on the acquisition cost using the straight-line method, starting from the month in which the asset is available for use. The depreciation rates used reflect the best knowledge about the estimated useful life. The residual values of the assets and the respective useful lives are reviewed and adjusted, when necessary.

12.1.1 MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Basic and transport equipment	Office equipment	Other assets	In progress	Total
Acquisition cost						
At 1 January 2022	473 661	184 985	12 601	5 343	18 249	694 839
Additions	1 639	4 563	584	275	14 547	21 608
Disposals	(149)	(439)	(32)	(3)	-	(623)
Write-offs and adjustments	173	(1 034)	(109)	(21)	(320)	(1 311)
Transfer to assets classified as held for sale and from discontinued operations (note 14.4)	(8 704)	(20 586)	(4 001)	-	(1 076)	(34 367)
Transfers	4 466	6 887	175	2	(12 477)	(947)
At 31 December 2022	**471 086**	**174 376**	**9 218**	**5 596**	**18 923**	**679 199**
At 1 January 2023	471 086	174 376	9 218	5 596	18 923	679 199
Additions	1 287	7 008	469	451	18 164	27 379
Disposals	(8)	(1 859)	(70)	(38)	(34)	(2 009)
Write-offs and adjustments	(176)	(261)	(80)	(4)	(659)	(1 180)
Transfers	7 501	1 704	61	57	(12 334)	(3 011)
At 31 December 2023	**479 690**	**180 968**	**9 598**	**6 062**	**24 060**	**700 378**
Accumulated depreciation						
At 1 January 2022	158 540	161 338	11 549	4 195	-	335 622
Depreciation for the year (note 8.4)	7 899	7 297	416	266	-	15 878
Disposals	-	(261)	(1)	(3)	-	(265)
Write-offs and adjustments	(335)	(1 179)	(146)	(27)	-	(1 687)
Transfer to assets classified as held for sale and from discontinued operations (note 14.4)	-	(19 260)	(3 664)	-	-	(22 924)
Transfers	-	(2)	2	-	-	-
At 31 December 2022	**166 104**	**147 933**	**8 156**	**4 431**	**-**	**326 624**
At 1 January 2023	166 104	147 933	8 156	4 431	-	326 624
Depreciation for the year (note 8.4)	8 417	8 205	508	296	-	17 426
Disposals	(8)	(1 838)	(70)	-	-	(1 916)
Write-offs and adjustments	4	(173)	(76)	(47)	-	(292)
At 31 December 2023	**174 517**	**154 127**	**8 518**	**4 680**	**-**	**341 842**
					-	
Accumulated Impairment losses						
At 1 January 2022	5 847	-	-	-	-	5 847
Impairment reversal (note 8.3)	(1 077)					(1 077)
Transfer to assets classified as held for sale and from discontinued operations (note 14.4)	(1 828)	-				(1 828)
At 31 December 2022	**2 942**	**-**	**-**	**-**	**-**	**2 942**
At 1 January 2023	2 942	-	-	-	-	2 942
Impairment reversal (note 8.3)	(16)					(16)
At 31 December 2023	**2 926**	**-**	**-**	**-**	**-**	**2 926**
Net book value						
At 31 December 2022	**302 040**	**26 443**	**1 062**	**1 165**	**18 923**	**349 633**
At 31 December 2023	**302 247**	**26 841**	**1 080**	**1 382**	**24 060**	**355 610**

12.1.2 PROPERTY PLANT AND EQUIPMENT IN PROGRESS

At 31 December 2023, the property, plant and equipment in progress essentially include the investments made in the new units in Seixal, Figueira da Foz and Funchal, and the expansion of Hospital da Luz Arrábida clinical area.

12.1.3 PROPERTY, PLANT AND EQUIPMENT AS COLLATERAL

Some of the group's real estate properties, with a net book value on 31 December 2023 of approximately €64.6 million, are mortgaged as collateral to a bank to guarantee one of the group's finance line (note 13.6).

Additionally, the legal ownership of a set of properties held by the group with a net book value of approximately €240.6 million, is now held by the financing banks, as part of the group's long-term financing activity. Under the terms of the contracts, the group has the right to repurchase the assets at the end of the contract, or at any moment of the contract, subject to the payment of a pre-agreed additional amount.

12.1.4 ACCUMULATED IMPAIRMENT LOSSES ON PROPERTY, PLANT AND EQUIPMENT

The impairment losses can be detailed as follows:

	2023	2022
Plot of land no. 28 on Av. Marechal Teixeira Rebelo in Lisbon	2 053	2 069
Santa Catarina clinic in Funchal	873	873
	2 926	**2 942**

In 2022, was recognized in the profit or loss under impairment, net of reversals caption, the reversal of an impairment loss in the amount of approximately €1.1 million (note 8.3) relating to the property known as Hotel Tivoli in Oporto. This asset in 2022 was transferred to assets held for sale and from discontinued operations caption following the disposal process which is still in progress (note 14.4).

12.1.5 CARRYING AMOUNT RECOGNIZED IF THE LAND AND BUILDINGS WERE STATED AT REVALUED AMOUNT

If the group had opted to present its land and buildings at their revalued amount determined according to an independent appraisal conducted by a specialist market entity, their value would amount to approximately €447 million (2022: €489 million).

12.2 RIGHT-OF-USE ASSETS

[POLICY]

Each lease agreement made by the group is assessed to determine whether it gives the right to control the use of an identifiable asset for a specified period in exchange for remuneration, whenever this happens (and beginning on 1 January 2019 onwards) the group recognizes in its non-current assets an asset for right-of-use and in liabilities the corresponding liability as a liability for lease, from the moment the asset becomes available for use.

The group enters to lease contracts to use assets in its operating activity such as real estate properties, clinical, medical and administrative equipment and vehicles. Typically lease contracts have a duration of periods of 4 to 10 years, except for real estate properties in which longer periods are considered and the duration of contracts may exceed 20 years, if the options provided for in the contract are exercised by the group. When applicable, the group allocates lease payments from the contract to lease components and other than leases, based on the value of each component, except for vehicle leases, in which it was decided not to separate the lease components and not lease, recognizing the two components together as if it were a single lease component.

Right-of-use assets are measured at cost, which comprises the initial measurement value of the lease liability, any lease payments made on or before the lease start date, less the lease incentives received, any initial direct costs (which includes all the necessary expenses to use the leased asset) and dismantling and replacement costs.

Some lease contracts have variable rents that are determined based on the level of utilization of the underlying assets. Since these contracts include minimum utilization commitments, the group believes that, for this minimum component, the conditions to consider these contracts as right-of-use assets are met.

Right-of-use assets are depreciated in the same way as property, plant and equipment assets, at the shorter of the assets' useful life and the lease term on a straight-line basis, except when the group has a purchase option on the underlying asset and it is reasonably certain that that option will be exercised, the asset is depreciated over the underlying asset's useful life.

Additionally, the right-of-use asset is reduced by impairment losses, if any, and adjusted for any remeasurement of leasing liabilities.

12.2.1 RIGHT-OF-USE ASSETS - RECOGNIZED IN THE BALANCE SHEET

	2023			2022		
	Acquisition value	Accumulated depreciation	Net book Value	Acquisition value	Accumulated depreciation	Net book Value
Land and buildings	101 496	(23 850)	77 646	70 080	(18 614)	51 466
Basic equipment	119 175	(65 234)	53 941	108 054	(49 540)	58 514
Office equipment	423	(247)	176	423	(182)	241
Transport equipment	6 294	(4 370)	1 924	5 203	(3 513)	1 690
Other assets	243	(130)	113	246	(100)	146
	227 631	**(93 831)**	**133 800**	**184 006**	**(71 949)**	**112 057**

In the current year, the group recognized additions of right-of-use assets in the amount of €40.6 million (2022: €23.8 million), that includes a remeasurement of the actual contracts amounting to €1.5 thousand. Due to its materiality its important to highlight the contracts established in respect to the new facilities in Torres de Lisboa (€7.9 million), Leira (€3.0 million) and Aveiro (€2.1 million).

The group has call options on the assets inherent to the above contracts, which at the reporting date have a carried amount of €53.3 million (2022: €56.1 million). These call options have a low value, and as such it is probable that the group will exercise these options when they reach the end of the lease period.

12.2.2 RIGHT-OF-USE ASSETS RECOGNIZED IN THE STATEMENT OF PROFIT OR LOSS

	2023	2022
Depreciation of right-of-use assets (note 8.4)		
Buildings	5 256	5 521
Basic equipment	15 962	14 231
Transport equipment	899	943
Office equipment	65	52
Other assets	30	30
	22 212	**20 777**
Financial expenses (note 9)		
Interest expense on lease agreements	5 908	3 440
	5 908	**3 440**
Rents (note 6)		
Short term leases	312	362
Low-value leases	63	177
Variable payment leases	73	608
Lease agreements for intangible assets	874	893
	1 322	**2 040**

In the year 2023, payments made on lease liabilities contracts amounted to €29.7 million (2022: €29.2 million).

Lease liabilities are presented in note 13.6.2.

12.3 INTANGIBLE ASSETS

[POLICY]

Intangible assets are recognized at acquisition cost, less accumulated amortization and impairment losses, when applicable. Intangible assets are only recognized when it is probable that they will result in future economic benefits for the group and that they can be reliably measured.

Intangible assets with defined useful lives are amortized using the straight-line method, starting from the month in which they are available for use. The amortization rates used correspond, on average, to the following estimated useful lives:

	Years
Software	3 – 5
Property rights	3 - 10

Intangible assets with an indefinite useful life (goodwill) are not subject to amortization, being subject to impairment tests in the last quarter of each financial year or at the moment that there is an indication that they may be impaired.

[ESTIMATE]

The group annually tests for impairment of goodwill recognized as an intangible asset. For this purpose, the group estimates the recoverable amount of cash-generating units to which goodwill is allocated. The recoverable amount is determined based on the value in use, which results from discounting the estimated future cash flows, using a discount rate that reflects the risk associated with the asset valued. If the future cash flows considered are lower than those estimated, there may be a need to recognize an impairment loss of a significant amount.

12.3.1 MOVEMENTS OF INTANGIBLE ASSETS

	Goodwill	Software	Property rights	In progress	Total
Acquisition costs					
At 1 January 2022	147 677	20 706	87	1 302	169 772
Additions	-	20	-	5 397	5 417
Transfer to assets classified as held for sale and from discontinued operations (note 14.4)	-	(478)	-	-	(478)
Transfers	-	3 031	-	(2 907)	124
At 31 December 2022	**147 677**	**23 279**	**87**	**3 792**	**174 835**
At 1 January 2023	147 677	23 279	87	3 792	174 835
Additions	-	143	-	6 917	7 060
Adjustments / write-offs	-	(28)	-	(1)	(29)
Transfers	-	2 372	-	(2 372)	-
At 31 December 2023	**147 677**	**25 766**	**87**	**8 336**	**181 866**
Accumulated amortization					
At 1 January 2022	-	14 442	80	-	14 522
Amortizations for the year (note 8.4)	-	2 093	-	-	2 093
Transfer to assets classified as held for sale and from discontinued operations (note 14.4)	-	(477)	-	-	(477)
At 31 December 2022	**-**	**16 058**	**80**	**-**	**16 138**
At 1 January 2023	-	16 058	80	-	16 138
Amortizations for the year (note 8.4)	-	2 637	-	-	2 637
Adjustments / write-offs	-	(72)	-	-	(72)
At 31 December 2023	**-**	**18 623**	**80**	**-**	**18 703**
Net book value					
At 31 December 2022	**147 677**	**7 221**	**7**	**3 792**	**158 697**
At 31 December 2023	**147 677**	**7 143**	**7**	**8 336**	**163 163**

12.3.2 GOODWILL

Goodwill results from operations of business combinations, namely acquisitions of healthcare business.

The goodwill in the balance sheet can be presented as follows:

	Goodwill	
	2023	**2022**
HOSPOR	89 944	89 944
HLC	26 684	26 684
HLG	14 665	14 665
HLTL	8 721	8 721
HLA	3 611	3 611
HLF	3 126	3 126
Other	926	926
Total goodwill	**147 677**	**147 677**

12.3.2.1 Goodwill impairment

The recoverable amount of goodwill is tested annually in the last quarter of each financial year, or whenever there is an indication of a possible loss in value. As mentioned, the recoverable amount is determined based on the value in use of the assets, which is calculated using methodologies based on discounted cash flow techniques (DCF), considering the historical performance, market conditions, future development expectations, time value and risks for each business.

For the purposes of the tests, carried out in the last quarter of 2023 and 2022, the group defined a set of assumptions to determine the recoverable amount of the investments made, of which the highlight the following:

Year	Calculation method	Projection period	Pre-tax discount rate	Perpetuity growth rate
2023	DCF	5 years	4.95%	1.8%
2022	DCF	5 years	4.94%	1.8%

The following should be noted:

- Projected cash flows are based on the budgets prepared by the companies and approved by their respective Board of Directors, which represent the first year of cash flows for the period under analysis;
- Medium and long-term projected cash flows are based on historical performance and business plans and are extended in perpetuity;
- The assumptions used in projecting cash flows for each of the cash-generating units are those to which the recoverable amount of the unit is most sensitive;
- The key assumptions used reflect past experience and external sources of information; and,
- The growth rate used is in accordance with the average long-term growth rate for the market in which the unit operates.

The impairment test includes a sensitivity analysis to some of the key assumptions used, namely regarding the following variables: (i) growth rate in perpetuity (-1.00 pp) and (ii) discount rate (+0, 50 pp). The result of the sensitivity analysis did not trigger any indications of impairment.

As a result of these impairment tests carried out, the group concluded that on 31 December 2023 there was no need to recognize goodwill impairment losses.

12.3.3 SOFTWARE

Expenses related to maintaining software programs are recognized as an expense in the profit or loss when incurred. Development expenses that are directly attributable to the design and testing of identifiable and unique software controlled by the group are recognized as intangible assets where the following criteria are met:

- technical feasibility to complete the project;
- intention to complete the software and use;

- it can be demonstrated how the software will generate probable future economic benefits; and
- the expenditure attributable to the software during its development can be reliably measured.

Costs capitalized as part of the software include mainly outsourcing costs with external entities.

12.3.4 INTANGIBLE ASSETS IN PROGRESS

Assets in progress essentially refer to projects for the development/ implementation of new IT solutions related to the digitalization process of the group.

13 FINANCING OF OPERATIONS

13.1 CAPITAL MANAGEMENT

13.1.1 RISK MANAGEMENT

The group aims to maintain an adequate level of equity to allow it to, not only ensure the continuity and development of its activity, but also to provide adequate remuneration for its shareholders and the optimization of its cost of capital.

Capital structure is monitored based on financial leverage ratios, namely: net debt/ invested capital (gearing), and net debt / EBITDA.

Targets for both ratios are a Gearing level below 60% and a net debt / EBITDA ratio between 3 and 4.

These ratios, on 31 December 2023 and 2022, as monitored by the group, are as follows:

	2023	2022
Net debt (note 13.6)	368 062	375 641
Total shareholders' equity	325 980	296 855
Invested capital	**694 042**	**672 496**
Gearing (Net debt / Invested capital)	**53,0%**	**55,9%**
EBITDA (note 3.3)	96 465	81 634
Net debt / EBITDA	**3,8**	**4,6**

As consequence of the ramp up process of recent investments expansions of Hospital da Luz network, were we highlight Hospital da Luz Lisboa phase 2, the group EBITDA has registered a significant growth, and as such the ratio net debt to EBITDA has improved significantly, and at 31 December 2023 reached the level considered as adequate by the group (between 3 and 4). Also the gearing ratio is within the adequate level as considered by the group.

13.1.2 LOAN COVENANTS

For several loans, with a total carrying amount of €151.1 million at 31 December 2023, the group is required to comply with the financial covenants presented below (being the ratios presented the most demanding in terms of the several contract that the group has in place):

- equity to assets ratio higher than 30%;
- debt to equity ratio less than 4; and
- net debt to EBITDA ratio less than 4.5.

The group has complied with these covenants at 31 December 2023, presenting the following outcomes in respect of each covenant (the results presented are only for indicative purpose, as the active contracts have small differences in the way that the covenants should be determined).

- equity to assets ratio of 36%;
- debt to equity ratio of 1.25; and
- net debt to EBITDA ratio of 3.8.

There are no indications that the group may have difficulties complying with the covenants when they will be next tested (at the 31 December 2024).

13.2 EQUITY

13.2.1 SHARE CAPITAL

[POLICY]

Capital refers to the nominal value of the common shares issued. Share premium is recognized when the share issue value exceeds its nominal value. The costs of issuing new shares are recognized directly in this heading, net of the respective tax.

Own shares are valued at their acquisition price and recorded as a decrease to equity. When these shares are sold, the amount received, less any direct transaction costs and respective tax, is recognized directly in equity.

Luz Saúde's share capital is composed of 95 542 254 ordinary registered shares with a par value of one euro (31 December 2022: 95 542 254 shares), they entitle the holders to participate in dividend distribution, and to share the proceeds of winding up the company in proportion to the number of shares held. Ordinary shares also gives to their holders one vote per share in the company's Shareholders meeting.

On the shareholders meeting held on 22 December 2023, shareholders approved, among other, the following resolutions:

(i) a share capital increase up to a maximum nominal amount of €23 885 563 through the issue of 23 885 563 new ordinary shares with a nominal value of one euro to be paid in cash through an offer of shares for private subscription;

(ii) the admission to trade in the regulated market managed by Euronext Lisboa of all the shares of the company's capital, including the shares to be issued.

Following the share capital increase, Fidelidade – Companhia de Seguros, SA will dilute its current shareholding position, although it will maintain a majority participation in the company after the completion of these operations, which are planned to occur during 2024.

13.2.2 SHARE PREMIUM

Share premium can only be used to increase share capital or to cover losses generated in the company's operations.

13.2.3 RESERVES AND RETAINED EARNINGS

At 31 December 2023 and 2022, the balance of reserves and retained earnings (including comprehensive income for the year) can be presented as follows:

	2023	2022
Legal reserve	7 477	6 656
Other reserves	140 305	124 698
Retained earnings	(9 272)	(24 207)
Comprehensive income for the year attributable to the owners of the company	29 540	31 363
	168 050	**138 510**

13.2.3.1 Non-distributable reserves

Non-distributable reserves include mainly the legal reserve created by the allocation of the net profit from the parent company until the 2022 financial year.

13.2.3.2 Other reserves and retained earnings

Other reserves are related with unrestricted reserves constituted by the allocation of profit from the parent company in previous years.

Retained earnings includes the results obtained by the group in previous years which are not available for immediate distribution to shareholders.

Distributable reserves

Given that the distribution of earnings to shareholders must be carried out in accordance with the individual financial statements of Luz Saúde, part of the results generated by the group may have limitations in terms of distribution to shareholders, so it is recommended that these consolidated financial statements are read together with the individual financial statements of Luz Saúde, to have a better understanding about this matter.

Allocation of results

According to the proposal presented and approved at the Shareholders Meetings held on 26 May 2023 and 27 May 2022, the individual profit of Luz Saúde, for the years of 2022 and 2021, had the following allocation:

	2022	2021
Legal reserve	821	1 136
Unrestricted reserves	15 607	21 585
Statutory profit allocation	**16 428**	**22 721**

13.3 EARNINGS PER SHARE

[POLICY]

The earnings per share basic is calculated by dividing the net profit/ loss attributable to the company's Shareholders by the weighted average number of ordinary shares outstanding during the period, excluding the average number of own shares held.

For the calculation of diluted earnings per share, the weighted average number of outstanding ordinary shares is adjusted to reflect the effect of all potential diluting common shares, such as those resulting from convertible debt or options on own shares granted to employees. The dilution effect translates into a decrease in earnings per share, resulting from the assumption that convertible instruments are converted or that the options granted are exercised.

	2023	2022
Profit from continuing operations attributable to equity holders of the company	30 972	28 371
Profit / (loss) from discontinued operations attributable to equity holders of the company	297	(1 501)
Average number of shares	95 542	95 542
Basic earnings per share from continuing operations	**0,324**	**0,297**
Basic earnings per share from discontinued operations	**0,003**	**(0,016)**
Total basic earnings per share	**0,327**	**0,281**

On the date of authorization for issue of these financial statements the group does not have financial instruments, with a diluting effect, so there is no difference between the basic and diluted earnings per share.

13.4 NON-CONTROLLING INTERESTS

13.4.1 MOVEMENT IN THE YEAR

	2023	2022
At 1 January	**1 007**	**1 178**
Loss of the year attributable to non-controlling interests	**(127)**	**(171)**
Dividends from non-controlling interests	(285)	-
Acquisition of non-controlling interests	(3)	-
Transactions with non-controlling interests	**(288)**	**-**
At 31 December	**592**	**1 007**

The acquisition of non-controlling interests refers to the acquisition of interests in the subsidiary HLA.

Dividends paid refers to the dividend distribution performed by the subsidiary HLA.

13.4.2 DETAIL OF NON-CONTROLLING INTERESTS

	2023	2022
HLA	382	612
RML	1 277	1 123
SGHL	(44)	(44)
HLF	(1 023)	(684)
	592	**1 007**

13.4.3 FINANCIAL INFORMATION OF SUBSIDIARIES WITH NON-CONTROLLING INTERESTS

The summary financial information of subsidiaries with non-controlling interests can be presented as follows:

	HLA	RML	HLF
Summarized net assets			
Current assets	10 039	92	3 129
Current liabilities	(6 405)	(1)	(3 278)
Current net assets / (liabilities)	**3 634**	**91**	**(149)**
Non-current assets	13 544	5 551	11 602
Shareholder loans	-		(15 536)
Non-current liabilities	(8 663)		(1 221)
Net assets / (liabilities)	**8 515**	**5 642**	**(5 304)**
Summarized results			
Total revenue	25 677	-	7 537
Profit before income tax	1 715	(25)	(2 375)
Income tax	(379)	5	527
Net profit	**1 336**	**(20)**	**(1 848)**
Summarized cash flows			
Operating cash flow	2 437	(46)	(1 405)
Investment cash flow	7 421	(6)	(1 195)
Financing cash flow	(9 581)	-	2 669
Change in cash and cash equivalents	**277**	**(52)**	**69**

13.5 CASH AND CASH EQUIVALENTS

[POLICY]

The amounts included in cash and cash equivalents correspond to the amounts of cash in hand, bank deposits, short term deposits and other, maturing in or less than three months and with an insignificant risk of change in value.

For the purposes of the statement of cash flows, cash and cash equivalents comprise the amounts recorded in the balance sheet with a maturity of less than three months, which includes cash in hand, bank deposits and bank overdrafts.

	2023	2022
Cash in hand	1 212	1 211
Bank deposits	36 506	46 141
	37 718	**47 352**

Due to the maturity associated to the balances presented above, it is considered that their carried value have no material difference to their fair value.

13.5.1 RECONCILIATION OF CASH AND CASH EQUIVALENTS WITH CASH FLOWS STATEMENT

For the purposes of preparing the cash flow statement, cash and cash equivalents is composed as follows:

	2023	2022
Cash and cash equivalents as stated above	37 718	47 352
Bank overdrafts (note 13.6.1.4)	(12 137)	(247)
Cash and cash equivalents stated in assets from discontinued operations (note 14.4.4)	22	1 472
Balance as stated in the statement of cash flow	**25 603**	**48 577**

13.6 NET DEBT

[POLICY]

Borrowings are recorded initially at fair value less transaction costs incurred and subsequently at amortized cost, based on the effective interest rate method.

They are classified as current or non-current liabilities depending on their maturity. If the debt matures less than one year after the reporting date, it is classified as a current liability, if it matures more than one year after the reporting date and its renewal is contractually guaranteed for more than 12 months after the reporting date, it is classified as a non-current liability. Its derecognition occurs when the obligations arising from the contracts end, namely at the time of settlement.

Financial costs are calculated according to the effective interest rate method and recorded in the statement of profit or loss, on an accrual basis.

	2023			2022		
	Current	**Non-current**	**Total**	**Current**	**Non-current**	**Total**
Secured						
Commercial paper	13 502	39 150	52 652	27 109	52 750	79 859
Bank loans	7 055	70 469	77 524	5 746	69 443	75 189
Leases	19 114	98 732	117 846	21 681	84 582	106 263
Factoring	455	-	455	250	-	250
Total secured debt	**40 126**	**208 351**	**248 477**	**54 786**	**206 775**	**261 561**
Unsecured						
Commercial paper	25 444	52 504	77 948	7 453	58 004	65 457
Bank loans	11 234	19 160	30 394	18 777	33 049	51 826
Bond loans	8 218	28 050	36 268	6 722	36 450	43 172
Other loans	12 361	332	12 693	977	-	977
Total unsecured debt	**57 257**	**100 046**	**157 303**	**33 929**	**127 503**	**161 432**
Total debt	**97 383**	**308 397**	**405 780**	**88 715**	**334 278**	**422 993**
Cash and cash equivalents			**(37 718)**			**(47 352)**
Net debt			**368 062**			**375 641**

13.6.1 Borrowings

Borrowings include bank loans, commercial paper programs and bond loans. Based on active finance contracts and terms at 31 December 2023, the group's average financing rate in terms of borrowing facilities is 4.30% (2022: 4.03%).

13.6.1.1 Commercial paper

The commercial paper finance lines available are as follows:

Start date	End date	Subscription underwriting	Program amount	2023	2022
10/02/2011	28/12/2026	Yes	52 750	52 750	80 000
18/05/2016	30/06/2025	Yes	40 000	40 000	40 000
05/05/2020	01/01/2025	Yes	20 000	20 000	15 000
10/08/2018	10/02/2024	Yes	10 500	10 500	10 500
17/03/2017	17/03/2024	No	30 000	7 500	-
27/12/2023	27/12/2028	Yes	25 000	-	-
				130 750	**145 500**
		Accrued interest and other expenses, net		(150)	(184)
				130 600	**145 316**

13.6.1.2 Bank loans

Main bank loans can be presented as follows:

Start date	End date	Collateral		2023	2022
28/12/2021	25/12/2036	Yes		17 382	18 778
31/03/2022	31/03/2025	No		12 812	15 010
28/12/2021	20/11/2031	Yes		8 803	9 564
28/12/2021	15/09/2036	Yes		8 072	8 387
28/12/2021	15/09/2036	Yes		7 111	7 404
28/12/2021	15/09/2036	Yes		6 490	6 757
28/12/2021	25/12/2036	Yes		6 295	6 799
21/11/2019	21/11/2026	No		6 004	7 991
25/10/2023	30/09/2038	Yes		5 437	-
23/12/2021	31/12/2036	Yes		5 164	5 407
				83 570	**86 097**
		Other less than 5 million		24 348	40 918
				107 918	**127 015**

Bank loans include 28 active contracts.16 contracts in the amount of €77.4 million, have as collateral a real estate property held by the bank (asset back loan). As the terms and conditions of these credit lines give the group control over the assets, as well as the capacity to retain all relevant related risks and rewards, these lines are considered by the group as bank loans.

13.6.1.3 Bond loans

Start date	End date		2023	2022
18/12/2020	18/12/2027		25 500	28 500
14/12/2022	14/12/2025		10 950	15 000
			36 450	**43 500**
	Accrued interest and other expenses, net		(182)	(328)
			36 268	**43 172**

13.6.1.4 Other loans

Other loans is composed mainly by the overdraft facility that the group has in use at the reporting date.

13.6.2 LEASE LIABILITIES

[POLICY]

Until 31 December 2018, the group classified its leasing operations as finance leases or operating leases, according to their substance and not their legal form, in accordance with the criteria established in IAS 17 - Leases. When the risks and benefits inherent into the ownership of an asset are transferred to the lessee, were classified as finance leases. All other leasing operations were classified as operating leases.

From 1 January 2019 onwards, leasing contracts, began to be recognized both in assets (under right-of-use assets) and in liabilities from the date the underlying asset became available for use by the company. The assets and liabilities arising from a lease are initially measured at the present value of the lease payments.Lease liabilities include the current value of the following lease payments:

- fixed payments (including fixed payments in substance), less lease incentives;
- variable payments, based on an index or rate;
- expected payments for residual value guarantees;
- exercise value of a call option, when the group has reasonable certainty of exercising that option;
- payment of penalties for terminating contracts, as long as the group exercises this option; and
- payments to be made under contract extension options when the group is reasonably certain of exercising that option.

Lease payments are discounted using the interest rate implicit in the lease. If this rate cannot be easily determined, the group's incremental financing rate is used, which is the rate that the lessee would have to pay for obtaining the funds necessary to obtain an asset of a similar value to the right-of-use asset for a similar period, in a similar economic environment, and with similar guarantees.

To determine the incremental financing rate, the group:

- whenever possible, uses the recent financing conditions obtained from third parties, adjusted to reflect changes in financing conditions since the financing was obtained, for contracts lasting up to 7 years;
- for contracts with a duration of more than 7 years, typically real estate lease contracts, the incremental rate was composed from the aggregation of the interest rate observable in the real estate market, adjusted by the group's financing rate differential for the market and for the rate of Portuguese Bonds for similar terms.

The group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability value until they come into effect. Adjustments to lease payments based on an index or rate imply a revaluation of the lease liability against the increase in the asset under right-of-use.

Lease payments are separated from the settlement of the acquisition value and its financial component, in which the financial cost is recorded in the statement of profit or loss during the lease period, in order to produce an effective interest rate.

[ESTIMATE]

In determining the lease term, the group considers all the facts that contribute to the exercise or not of the option to extend the lease period.

Thus, extension options are only considered for the purpose of determining the term of the lease of a right-of-use asset if it is reasonably certain that the lease will be extended (or not terminated).

In the case of real estate and equipment leases, in order to assess the extension of a lease, factors such as those referred to below are usually the most relevant in terms of decision making:

- existence of significant penalties for non-termination (or non-extension) of the contract;
- if the improvements made to the asset under lease have a significant value on the date of the potential termination (or non-extension);
- the group's ability to find a similar asset that allows it to replace the asset underlying the lease.

The lease terms used reflect the best estimate of the life of each lease.

The reassessment of the term of each lease with an extension option, is carried out when the option is exercised (or not exercised) or the group is obliged to exercise the option (or not to exercise), or in the event of a significant event or a significant change in circumstances that affect the assessment initially carried out by Management. During the years of 2023 and 2022, there was no financial impact resulting from the revaluation of the exercise of an option to extend a lease.

At 31 December 2023 the amounts of the undiscounted contractual cash-flows can be presented as follows:

	2023	2022
Less than 12 months	20 630	23 605
12-24 months	20 752	19 045
24-36 months	22 699	16 394
36-48 months	14 022	13 133
48-60 months	12 993	8 577
Over 60 months	83 389	68 527
	174 485	**149 281**

The maturity of the discounted cash flows of the active contracts at the reporting date is presented in note 15.2.3.

13.6.3 FACTORING

Includes advances received relating to trade receivables balances assigned under reverse factoring contracts, and the amounts related to trade receivables assigned to full factoring which at 31 December 2023 according to the group's estimates did not meet the criteria for derecognition.

13.6.4 COLLATERALS

13.6.4.1 Secured liabilities

One of the commercial paper lines and several of the bank loans presented in the table above are guaranteed by the group's real estate properties, either through mortgages (in the case of the commercial paper line), or through the legal ownership of the properties by the banks, in the case of the bank loans, with the group having options to repurchase them at any moment in time. The values of the guarantees are higher than the amounts of the contracted lines.

In lease contracts, the rights over the underlying assets revert to the lessors in case of default since the legal possession of the assets belongs to the lessors over the contract period.

Factoring amounts include advances received relating to amounts granted in the scope of factoring contracts with recourse, as well as amounts relating to customer balances assigned to factoring in the non-recourse form and which at 31 December 2023 according to group estimates did not meet the criteria to be derecognized.

13.6.4.2 Other guarantees

Most of the financing lines contain non-financial constraints, the most frequent being:

- negative pledge provisions, in relation to higher value and maturity lines;
- restrictions on the use of capital resources, acquisitions and disposal of assets;
- *Pari passu* obligations;

- situations of non-compliance, which include cross-default clauses for companies that are under control or in a group relationship with the respective borrower;
- change of control provisions that require the controlling shareholder (Fosun group) to maintain a controlling direct or indirect position in the company;
- limitations on dividend distribution.

13.6.5 FINANCIAL COVENANTS

In terms of financial covenants, the group is obliged to comply with financial ratios set forth in the financing agreements in force on this date which are analyzed in note 13.1.2.

13.6.6 FAIR VALUE

The credit lines contracted by the group (excluding leases) are subject to market rates (Euribor), with a periodic adjustment of the rates occurring between 1 and 12 months after the reporting date. Consequently, attending to the short term of the lines and to the fact that they bear interests at current market rate, it is understood that the existing differences between the carried amount and the fair value of the liabilities are not materially relevant.

14 OTHER ASSETS AND LIABILITIES

14.1 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

[POLICY]

Financial assets at fair value through profit or loss include equity instruments held by the group related to entities over which it has no control or significant influence. Financial assets at fair value through profit or loss are investments which are not held with a long-time strategic purpose and as such the group choose not to recognize its gains and losses through other comprehensive income.

14.1.1 CLASSIFICATION AS FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The group recognize the following financial assets at fair value through profit or loss:

- investments that do not qualify to be measured at amortized cost;
- financial investments held for trading; and
- financial investments for which the entity has not chosen to recognize fair value gains and losses through other comprehensive income.

Financial assets at fair value through profit or loss, include the following:

	2023	2022
FCR C2 R&D Growth XI	2 000	-
Iberis Bluetech Fund III, FCR	1 972	1 000
FCR Capital Criativo IV	1 630	1 859
Explorer Growth Fund IV, FCR	1 435	1 455
Iberis Bluetech Fund II FCR	1 428	1 452
FCT - Fundo de Compensação do Trabalho	1 418	1 321
Iberis Bluetech Fund, FCR, EuVECA	996	888
Explorer Growth Fund V, FCR	987	1 000
Explorer Growth Fund III, FCR	970	962
FCR C2 R&D Growth VI	966	1 000
UpHill SA	697	550
HL-Sociedade Gestora do Edifício, SA	612	612
C2 R&D Growth V	467	475
Other financial assets	83	30
	15 661	**12 604**

As in previous years, at the end of 2023, and within the scope of its research & development (R&D) and business development areas, the group invested, around €3 millions, in two Venture Capital Fund (FCR C2 R&D Growth XI and Iberis Bluetech Fund III, FCR) with the aim of develop an investment portfolio in entities with a large component of its activity dedicated to investment in research and development.

The payments in respect of FCT, are not considered as an investment cash outflow in the statement of cash flows, as they are considered to have an operational nature, being classified as such for the purpose of preparing the statement of cash flows.

14.1.2 AMOUNTS RECOGNIZED IN PROFIT OR LOSS

During the year, fair value gains and losses of €292 thousand (2022: €121 thousand) and €517 thousand (2022: €148 thousand) were recognized, respectively, in finance income and finance costs (note 9) items in the profit or loss statement related to the valuation of financial assets at fair value through profit or loss.

14.1.3 FAIR VALUE MEASUREMENT

For information about the methods and assumptions used in determining fair value see note 15.4.

14.2 DERIVATIVE FINANCIAL INSTRUMENTS

[POLICY]

Derivative financial instruments are recognized on the contract date at their fair value, which is assumed to be equal to their acquisition cost on the contract date. Subsequently, the fair value of derivative financial instruments is remeasured on each reporting date, with the gains or losses resulting from this remeasurement being recorded directly in the statement of profit or loss, except with respect to the effects relating to cash flow hedging derivatives.

The group uses financial instruments to hedge the interest rate risk resulting from its financing activity. Derivatives that do not qualify as hedging within the scope of IFRS 9 are recorded as trading. Cash flow hedging derivatives are recorded at fair value and insofar as changes in fair value are effective for hedging purposes, they are recognized in the statement of other comprehensive income. Changes in fair value that are not considered to be hedging, as they are considered inefficient in whole or in part, are immediately recognized in the statement of profit or loss. The amounts accumulated in reserves are reclassified to results in the periods when the hedged item affects results.

The fair value of the hedging derivative is classified as a non-current asset or liability when the maturity of the hedged operation is greater than 12 months, and as a current asset or liability when the maturity of the hedged operation is less than 12 months.

In assessing the existence of an economic relationship between the hedged instruments and the hedging instruments, the group assumes that the interest rate benchmark (Euribor) will not be changed following the reform of the interest rate benchmarks as permitted by the changes to IAS 39, IFRS 7 and IFRS 9 related to the reform of the interest rate benchmarks.

The aforementioned policy is applicable to all hedging relationships designated at 31 December 2023.

The group will cease to apply the above policy when:

(i) the uncertainty regarding the reform of the interest rate benchmarks with respect to Euribor ceasing; or

(ii) the respective hedging relationship is discontinued.

14.2.1 DERIVATIVE CLASSIFICATION

In 2015, the group started using derivative financial instruments to hedge interest rate risks that affect the value of expected future cash flows. The hedged risk is the change in the index that the floating rates incorporates, being applicable to the group's credit lines.

The derivative financial instruments that are contracted for the purpose of hedging interest rate risk on interests bearing liabilities are referred to as cash flow hedging. However, when financial instruments do not meet the criteria to be recognized as hedging instruments, they are classified as held for trading and the change in their fair value is recognized in the profit or loss.

The group, in its interest rates exposure management, hedges cash flows. These transactions are recorded in the balance sheet at fair value and, as far as they are considered effective hedges, changes in fair value are initially recorded in other comprehensive income for the period. If the hedge transactions are found to be not effective, the resulting profit or loss is recorded directly in profit or loss. Amounts accumulated in equity are transferred to profit or loss when the hedged item affects the income statement, for example, when the future hedged sale materializes. The profit or loss corresponding to the effective component of interest rate swaps hedging variable rate borrowings is recognized in finance income or finance costs item (note 9).

14.2.2 FAIR VALUE OF FINANCIAL DERIVATIVES

The fair value of the financial derivatives recorded can be presented as follows:

	2023	2022
Interest rate swap contracts - cash flow hedges	2 140	4 327
Interest rate swap contracts - held for trading	-	-
Total	**2 140**	**4 327**

The detail of the fair value per contract can be presented as follows:

Covered instrument	Notional	Beginning date	Ending date	Fair value 2023	Fair value 2022
Commercial paper	52 750	25/11/2015	28/12/2026	2 140	4 327
				2 140	**4 327**

The fair value of the hedge derivative is classified in non-current assets or liabilities, when the maturity of the hedged transaction is greater than 12 months, and as a current asset or liability when the maturity of the hedged transaction is less than 12 months.

14.2.3 AMOUNTS RECOGNIZED IN PROFIT OR LOSS

The notional interest rate swap contract outstanding on 31 December 2023 amounted to €52.75 million (2022: €80 million), all of which are considered as cash flow hedges.

The contract gives rise to the recognition of a change in fair value net of income tax in group's statement of other comprehensive income in 2023 arising from the part considered as efficient for hedging purposes of approximately €1 729 thousand, negative (2022: €4 493 thousand, positive).

In respect of the changes in fair value, considered not to be effective for hedging purposes, in 2023 no value impacted the statement of profit or loss, (2022: €1 086 thousand, interest gain).

Regarding the interests in 2023, it was recognized a gain on the profit or loss in the finance income caption of €1 819 thousand (2022: €754 thousand, interest loss recognized in the caption finance cost).

14.3 PROVISIONS

[POLICY]

Provisions are recognized when (i) the group has a present obligation, due to past events (legal or constructive), (ii) it is likely that a cash outflow will be required and (iii) when the amount of the obligation can be reliably estimated. When one of these requisites is not met, the group discloses the event as a contingent liability, unless the possibility of an outflow of funds is not remote.

The amount of the provision corresponds to the present value of the obligation, with the financial discount being recorded as a finance cost under the item fair value losses in financial assets.

Provisions balances are reviewed on the reporting date and are adjusted to reflect the best estimate on that date.

When losses in associated companies exceed the investment made in those entities, the investment's carrying amount is reduced to zero, and future losses are no longer recognized, except to the extent the group has incurred a legal or constructive obligation to bear those losses on behalf of the associated company, in which case a provision is recorded for impairment of financial assets.

A provision is recognized for litigation in progress when the expenses that will be incurred due to legal proceedings filed by third parties can be reliably estimated. The estimate is based on an assessment of the likelihood of having a cash outflow, based on the information of the group's legal advisors, the mitigate impact of insurance policies in place and the historical in case of similar situations.

[ESTIMATE]

The group exercises considerable judgment in recognizing and measuring provisions. Judgment is essential to assess the probability that a given litigation process will be successful. Provisions are set up when the group expects, with respect to ongoing proceedings, that the loss is probable, that an outflow of funds is plausible and, in turn, can be reasonably estimated. Due to the uncertainties inherent in the valuation process, the actual losses may be different from the estimated losses in the provision. These estimates are subject to change as new information about the process emerges. The provisions set up by the group are essentially related to tax situations and contractual penalties related to the group operational activity. Changes to the estimates of these losses may affect future results.

14.3.1 MOVEMENTS IN PROVISIONS

The movement in provisions in 2023 and 2022 can be presented as follows:

	Litigation	Tax disputes	Penalties	Legal risk	Other risks	Total
Provisions						
At 1 January 2022	1 847	2 202	9 975	3 713	3 857	21 594
With impact in profit or loss						
Charges	-	-	-	3 297	270	3 567
Reversals	(462)	(3)	-		-	(465)
	(462)	**(3)**	**-**	**3 297**	**270**	**3 102**
With no impact in profit or loss						
Transfer	-	-	-	-	1 378	1 378
Transfer to discontinued operations (note 14.4)	(100)	-	(9 975)	-	(3 443)	(13 518)
Used	(669)	(1 802)	-	-	-	(2 471)
	(769)	**(1 802)**	**(9 975)**	**-**	**(2 065)**	**(14 611)**
At 31 December 2022	**616**	**397**	**-**	**7 010**	**2 062**	**10 085**
At 1 January 2023	616	397	-	7 010	2 062	10 085
With impact in profit or loss						
Charges	409	183	-	3 297	-	3 889
Reversals	(5)	-	-	-	-	(5)
	404	**183**	**-**	**3 297**	**-**	**3 884**
With no impact in profit or loss						
Transfer	-	250	-	-	-	250
Used	(71)	-	-	-	(114)	(185)
	(71)	**250**	**-**	**-**	**(114)**	**65**
At 31 December 2023	**949**	**830**	**-**	**10 307**	**1 948**	**14 034**

14.3.1.1 Litigation

In its operations, the group incurs operational risks arising from the specificity of its activity, in particular clinical risks. To face these risks, the group contracted an insurance policy that partially mitigates these risks, with a provision being recognized for the estimate payments that the group may incur.

14.3.1.2 Tax disputes

The provision for tax disputes is intended to address disputes with PTA, as described in note 16.1.3.

14.3.1.3 Penalties

The provision for penalties in 2022 is related to risks and contractual penalties considered as probable in respect of the operations of the PPP contract. At the end of the management contract this liability was reclassified to discontinued operations.

14.3.1.4 Legal risk

The impact on the profit or loss of the provision for legal risk amounts to approximately €3 297 thousand (2022: €3 297 thousand) for a risk associated with the group's scope structure. Despite the provision recognized to address this risk, the group and its legal advisors consider that exist arguments that support the non-application of this measure to the group.

14.4 ASSETS HELD FOR SALE AND FROM DISCONTINUED OPERATIONS

[POLICY]

A discontinued operation is a component of the group's business that incorporate operating units and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the group, and that:

(i) represents a business segment, a distinct line of business that is important to the group and operates in a different way from other operations or that represents an operating geographical area;

(ii) is an integral part of a single coordinated plan to discontinue that business or (distinct) geographic operating area;

(iii) or is a subsidiary acquired solely for the purpose of resale.

Classification as a discontinued operation or an asset held for sale occurs when the operation is disposed or ceases its operating activity or when it meets the criteria to be classified as held for sale, whichever is earlier.

When an operation is classified as a discontinued operation, the comparative income statement, statement of comprehensive income and cash flow statement are restated as if the operation had been discontinued from the beginning of the comparative year.

Related to the profit or loss, discontinued operations results are presented in a separate line profit or loss from discontinued operations in the income statement of profit or loss. Related to the balance sheet, assets and liabilities are separated from the other assets and liabilities in the captions assets held for sale and from discontinued operations and liabilities from discontinued operations, respectively.

[ESTIMATE]

PPP revenues

The management contract of HBA that was in effect until 18 January 2022, provided that the billing of medical acts rendered was carried out monthly for an amount equivalent to 1/12 of 90% of the total agreed annual amount, the remaining being billed in the following year after the completion of the validation process between the parties. On the reporting date, although the managing contract has ended, part of the services recognized on the balance sheet in the caption assets held for sale and from discontinued operations, are still not yet billed since they are pendent of validation by the contracting entity.

Despite the uncertainty that this represents, the Board of Directors assumed the best estimate for the amounts recorded and has assumed that the impact of closing accounts with the ARS-LVT, for the years 2012 to 2022, will have no significant effect on the financial statements. During 2023, the validation process has advanced and the years of 2012, 2013, 2015 to 2019 are expected to be closed during 2024. The remaining years are still in discussion with ARS-LVT.

At 31 December 2023 the group net exposure to the ongoing validation process is recognized in the balance sheet under the captions assets held for sale and from discontinued operations and liabilities from discontinued operations an amount to approximately €4.8 million (2022: €9.6 million).

Financial rebalancing of the PPP contract

The group understands that, because of COVID-19 pandemic (and the acts that were determined in that context), the activity carried out within the scope of the Management Contract established between the Portuguese State and SGHL, for the HBA management under a PPP regime, was significantly affected, with a negative impact on the financial conditions for the development of said contract. This impact resulted in both a decrease in revenues and an increase in expenses.

The decrease in revenue was due, namely to the cancellation of HBA activity (maintaining, for long periods of time, only the activity considered by the administrative authorities to be urgent or priority), the increase in expenses not covered by the obligations or contractually assumed risks, that among others, were due to the extraordinary and unforeseen reinforcement of human resources, of the materials necessary to combat and/ or mitigate the spread of the SARS-CoV-2 virus, a situation that had a clear impact on activity and financial balance of the management contract.

Considering the constraints of different nature (social, sanitary, administrative, and legal) arising from the measures adopted to combat the COVID-19 pandemic unequivocally implied an increase in expenses as well as a significant reduction in revenue.

Consequently, the group understands that, under the terms of the Management Contract, there is a right to receive a compensation for the financial rebalancing of the agreement in relation to the operations carried out up to the reporting date.

Until now, an agreement with the ARS-LVT was not possible, regarding the right to receive this compensation, therefore the group chose not to register any revenue associated with it, having however triggered the mechanisms foreseen in the Management Contract to be reimbursed of the recognized losses.

14.4.1 DESCRIPTION OF THE OPERATIONS CLASSIFIED AS ASSETS HELD FOR SALE AND FROM DISCONTINUED OPERATIONS

At 31 December 2023 the group classified the following operations assets held for sale and from discontinued operations:

- Discontinuing of the operations of the public segment, as the HBA management contract ended;
- Disposal process of the real estate project known as Tivoli Oporto.

14.4.2 DISCONTINUED OPERATION OF THE PUBLIC SEGMENT

On 18 January 2022, HBA Management Contract has ended. On that date, the group, through its subsidiary SGHL, transferred the management of HBA, as well as all rights, obligations and employees assigned to the hospital, to the Public Contracting Entity – Administração Regional de Saúde de Lisboa e Vale do Tejo (ARS-LVT).

As from the date of HBA's transfer to the public scope, and given the extreme relevance to the group's activity, the operations, assets, and liabilities of this business segment are presented as a discontinued operation since they are no longer recovered through continued use.

14.4.3 DISPOSAL OF TIVOLI OPORTO

In the second half of 2022 and following a decision taken by the group to interrupt the licensing process for the project of a health care unit to be built in the property formerly known as Hotel Tivoli Oporto, the group decided to start an organized process to sell the referred project in its current state of use and conservation. Thus, the assets to be included in this process were reclassified to be presented in the balance sheet as assets held for sale and from discontinued operations caption.

The divestment process to dispose the project has progressed in 2023 and a promissory sale and purchase agreement has been established with a potential acquirer, establishing the goals to be met to complete the transaction, which is expected to be completed only during 2024. As the process is still in progress the classification of the related asset as an asset held for sale has been maintained.

14.4.4 DETAIL OF ASSETS HELD FOR SALE AND FROM DISCONTINUED OPERATIONS

The following table shows the net amounts of these items on the balance sheet:

	2023			2022		
	Total	**Tivoli**	**SGHL**	**Total**	**Tivoli**	**SGHL**
Property, plant and equipment	6 828	6 828	-	6 828	6 828	-
Deferred tax assets	5 442	-	5 442	8 052	-	8 052
Cash and cash equivalents	22	-	22	1 472	-	1 472
Other assets	13 005	928	12 077	24 154	1 025	23 129
Total assets	**25 297**	**7 756**	**17 541**	**40 506**	**7 853**	**32 653**
Provisions	(7 257)	-	(7 257)	(10 975)	-	(10 975)
Other liabilities	(2 344)	-	(2 344)	(5 188)	-	(5 188)
Total liabilities	**(9 601)**	**-**	**(9 601)**	**(16 163)**	**-**	**(16 163)**
Net assets	**15 696**	**7 756**	**7 940**	**24 343**	**7 853**	**16 490**

14.4.5 DETAIL OF PROFIT OR LOSS OF DISCONTINUED OPERATIONS

	2023 SGHL	**2022 SGHL**
Operating income	871	5 499
Operating costs	(3 015)	(7 376)
	(2 144)	**(1 877)**
Depreciation and amortization	(7)	(68)
Total operating income	**(2 151)**	**(1 945)**
Financial result	22	(2)
Loss before income tax	**(2 129)**	**(1 947)**
Income tax (note 10.1)	2 426	446
Profit / (Loss) for the year from discontinued operations	**297**	**(1 501)**

D FINANCIAL RISK MANAGEMENT

15 FINANCIAL RISK

In its operations, the group manage the following financial instruments:

	2023	2022
Financial assets		
At amortized cost		
Trade and other receivables (note 11.1)	118 354	108 142
Other assets – current (note 11.2)	1 549	2 798
Bank deposits (note 13.5)	36 506	46 141
At fair value through profit or loss		
Financial assets at fair value through profit or loss (note 14.1.1)	15 661	12 604
Derivative financial instruments		
Used for hedging (note 14.2.2)	2 140	4 327
	174 210	**174 012**
Financial liabilities		
At amortized cost		
Trade payables (note 11.4)	40 057	33 360
Other payables (note 11.4)	89 269	80 099
Borrowings and bank overdrafts (note 13.6)	287 934	316 730
Lease liabilities (note 13.6)	117 846	106 263
Advances from clients (note 11.5)	7 027	8 718
	542 133	**545 170**

The group's financial risk management is mainly controlled by DFA, thus within the scope of its activity DFA identifies, assesses, and manages the exposure to the different financial risks in close cooperation with the group's operating units which are supported by DSAF on its daily operations.

The Board of Directors provides the guiding principles for overall risk management, as well as the policies to be followed in specific areas, such as market risk, credit risk and liquidity risk.

This note provides information on the group’s exposure to each of the risks, as well as the group’s goals, procedures and practices for measuring and managing these risks. Further disclosures of a quantitative nature are presented throughout these financial statements.

The identified risks are reviewed regularly to remain adherent to the reality of market conditions and the group's activities.

15.1 Credit risk

15.1.1 Scope

Credit risk arises from the possibility that financial losses may occur due to a debtor's default on contractual obligations with the group during its business.

The group's credit risk exposure essentially arises from accounts receivable from its business activities and from monetary funds managed under the group's treasury activity.

The following table presents the maximum exposure of the group to the credit risk:

	2023	2022
Trade receivables and accrued income (note 11.1)	118 354	108 142
Advances from clients (note 11.5)	(7 027)	(8 718)
Bank deposits (note 13.5)	36 506	46 141
Other assets – current (note 11.2)	1 549	2 798
	149 382	**148 363**

15.1.2 Risk management

To monitor credit risk arising from operational activity, management of each unit accompanies on a continuous basis its debtors' portfolio and their outstanding balances. This approach is complemented both by methodologies and tools for assessing and controlling risks associated with the customer acceptance phase, classifying them, and defining credit limits, as well as in terms of collection procedures and circuits.

The monitoring of the group's credit risk profile, namely regarding the evolution of credit exposures and the monitoring of uncollectible losses, is carried out regularly by DSAF together with the units, and DFA monitors the process at consolidated level. Compliance with approved credit limits is also subject to regular analysis at each unit.

The group has defined a credit procedure according to which any new customer is individually analyzed from the point of view of its credit risk prior to its acceptance as a customer. This review involves an analysis of external information and, when available, references from third parties regarding the entity.

15.1.3 Accounts receivables, net from advances from clients

At 31 December 2023 and 2022, the accounts receivables balance is detailed as follows:

	2023	2022
Trade receivables, net from advances from clients	84 854	62 728
Accrued income	24 478	36 404
Other receivables	1 995	292
	111 327	**99 424**

15.1.3.1 Maturity of trade receivables

The ageing of the trade receivables balance at the reporting date, is detailed as follows:

	2023	2022
0-3 months	64 341	51 801
3-6 months	8 408	4 337
6-12 months	8 855	4 669
12-24 months	5 239	4 531
Over 24 months	15 250	12 621
	102 093	**77 959**
Accumulated impairment	(17 239)	(15 231)
	84 854	**62 728**

15.1.3.2 Maturity of accrued income

Accrued income refers mainly to receivable balances for which the group has not issued the corresponding invoice, as the billing process is still in progress. As such, this receivable balance has no maturity, as per standard business conditions of the group, payment is usually only required 30 to 90 days after the invoice issuance.

15.1.3.3 Impairment of receivables

Impairment losses for receivables are estimated based on the estimated losses in the portfolio, based on an analysis of the outstanding balances at the reporting date and the matrix for calculating expected losses.

As of 31 December 2023, the group considers that the amount of bad debts from continuing commercial operations amounts to 18.4% (2022: 14.6%) of the customer balance for which it has a level of provision of 13.0% (2022: 12.5%). If the financial conditions of the debtors deteriorate, the impairment losses could be higher than expected.

The changes of impairment receivable on 31 December 2023 and 2022 can be presented as follows:

	2023		2022
	Trade receivables	**Other receivables**	
At 1 January	15 231	418	23 908
With impact in profit or loss:			
Charge according to the estimated losses simplified model	2 292	-	2 114
Reversals	(198)	-	(1 546)
	2 094	**-**	**568**
With no impact in profit or loss			
Transfers	-	(418)	(7 733)
Used	(86)	-	(1 094)
At 31 December	**17 239**	**-**	**15 649**

15.1.4 BANK DEPOSITS

The breakdown of bank deposits, according to the rating of the financial institutions where the assets were deposited on 31 December 2023, can be presented as follows (based on Moody's rating):

	2023	2022
A2	12 677	135
A3	16 887	15 356
Baa2	6 731	20 411
Ba3	-	10 103
Other	211	136
	36 506	**46 141**

As guiding principle, the group aims to maintain an alignment between the financial entities where it deposits its funds, and the financial entities where it has financing lines used, to create a natural hedge for a potential credit event that may occur at the level of entity where the funds are deposited. Thus, if we consider the net position of the group's assets and liabilities with banking institutions, in 2023 there is no risk of realizing the assets (2022: a risk of €135 thousand).

15.1.5 OTHER ASSETS

Other assets exposed the group to credit risk because of advance payments made to suppliers as part of its supply chain management. This asset has a low level of credit risk as it will be used by the group to pay for future supplies in the normal course of its business.

15.2 LIQUIDITY RISK

15.2.1 SCOPE

Liquidity risk arises from the potential inability to finance the group's assets, or from meeting the liabilities contracted on the maturity dates. Prudent liquidity risk management implies the maintenance of amounts in cash and cash equivalents and the availability of contracted credit lines that can be immediately used to meet obligations arising from financial liabilities to be overcome.

15.2.2 RISK MANAGEMENT

Liquidity management is centralized in DFA. The aim is to maintain a satisfactory level of cash and cash equivalents to meet the financial needs in the short, medium and long term. In order to assess the global exposure to this type of risk, reports are prepared that allow to identify the occasional treasury ruptures and to activate the measures that tend to cover them. At 31 December 2023, the group held deposits at call amounting to €36.5 million (2022: €46.1 million) and available credit lines amounting to €41.3 million (2022: €28.8 million).

Management monitors forecasts of the group's liquidity needs based on expected cash flows, which is generally carried out both at the group and at the level of the operating units. Group's liquidity management involves projecting cash flows and considering the level of liquid assets necessary to meet these and maintaining debt financing plans.

15.2.3 MATURITY OF FINANCIAL LIABILITIES

The tables below analyze the group's financial liabilities into relevant maturity groupings based on their contractual maturities. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	2023					2022
	Leases	**Bank, Bonds and Other Loans**	**Commercial paper**	**Other liabilities (*)**	**Total**	**Total**
Under 12 months	19 114	38 868	38 946	136 808	233 736	210 892
12 to 24 months	18 570	29 697	65 954	-	114 221	90 886
24 to 36 months	19 781	12 304	25 700	-	57 785	82 629
36 to 48 months	9 993	20 982	-	-	30 975	49 118
48 to 60 months	7 787	4 597	-	-	12 384	27 339
Over 60 months	42 601	50 431	-	-	93 032	84 306
	117 846	**156 879**	**130 600**	**136 808**	**542 133**	**545 170**

(*) Excludes non-financial liabilities

15.2.4 FINANCING ARRANGEMENTS

At 31 December 2023 the group has unused credit lines, in the form of bank overdrafts and commercial paper programs with underwrite subscription, in the amount of €41.3 million.

The bank overdraft facilities may be used at any moment and are renewed each 6 months therefore possible to be terminated at each renewal date by the bank after notice.

15.3 MARKET RISK

15.3.1 SCOPE

Market risk refers to the group exposure to changes in market prices, such as foreign currency exchange rates (mainly in terms of acquisitions made to non-EU suppliers, which usually operate in USD), interest rates (mainly in terms of exposure to financing operations in terms of lease liabilities and borrowings) or the evolution of stock exchanges (no relevant exposure exist), may affect the group's results and its financial position.

15.3.2 CASH FLOW AND INTEREST RATE RISK

Interest rate risk arises from borrowings and leasing liabilities with variable rates, which expose the group to cash flow interest rate risk. Group policy is to maintain approximately 50% of its interest-bearing liabilities at a fixed rate, using hedging instruments to achieve this when necessary. Generally, the group enters long-term borrowings at floating rates, and whenever considers relevant swaps them into fixed rates in accordance with market conditions.

During 2023 and 2022 due to market conditions no fixed interest rate debt or hedging instruments have been contracted.

The group's borrowings and receivables are carried at amortized cost. The borrowings are periodically contractually repriced and to that extent are also exposed to the risk of future changes in market interest rates.

At 31 December 2023 and considering the level of effectiveness that the financial instruments to hedge the risk of interest rate variation contracted have, the composition of the financial debt according to the interest rate type, is as follows:

	2023	**% of Total Debt**	**2022**	**% of Total Debt**
Variable interest rate debt	223 768	55%	223 020	53%
Fixed interest rate debt	111 865	28%	145 801	34%
Debt without interest rate exposure	70 147	17%	54 172	13%
	405 780	**100%**	**422 993**	**100%**

Considering that the group's net income is exposed to changes in market interest rates, and for illustrative purposes only, a 100 bp variation in reference rates and considering all other variables unchanged, would result an impact on net income before tax, on an annual basis, of approximately:

	2023	**2022**
Impact of interest rate variation by 100 b.p. in income before tax	2 237	2 230

A global reform of the main interest rate benchmarks is underway, which foresees the replacement of some benchmarks, including the Euribor, with risk-free alternative rates. The group presents exposures to Euribor variations in its financial instruments that will be impacted by this global reform. There is currently uncertainty about the timings and methods associated with transitioning interest rate benchmarks. The group, to date, does not expect a significant impact on its risk management policies and on the effects of hedge accounting.

The group will assess and analyze the impacts of the potential change in Euribor when the timings and the respective change methods are implemented and, in particular the designated interest rate risk hedging relationships.

15.3.3 Foreign Exchange risk

The group is exposed to foreign exchange risk, resulting from its purchasing activity in international markets, operations mainly carried out in US dollars and the interest rate risk regarding its financial assets and liabilities.

The main objective defined in terms of foreign exchange risk management focus essentially on monitoring the foreign exchange rates that influence the financial liabilities to which the group is exposed, both in terms of the commitments already made and the relevance of this exposure in terms of the group's distribution chain. The group's currency exposure at 31 December amounted to €0.1 million (2022: €0.5 million).

15.4 Fair value hierarchy

The group's assets and liabilities measured at fair value are presented in the following table, according to the fair value hierarchy:

2023	**Total**	**Level 1**	**Level 2**	**Level 3**
Fair value of assets				
Financial assets at fair value through profit or loss	15 661	-	-	15 661
Derivatives	2 140	-	2 140	-
Total assets	**17 801**	**-**	**2 140**	**15 661**

2022	**Total**	**Level 1**	**Level 2**	**Level 3**
Fair value of assets				
Financial assets at fair value through profit or loss	12 604	-	-	12 604
Derivatives	4 327	-	4 327	-
Total assets	**16 931**	**-**	**4 327**	**12 605**

The hierarchy for the purposes of assessing fair value has the following levels and bases of measurement:

- Level 1 - quotes from active liquid markets and to which the group has access at the reporting date;
- Level 2 - generally accepted valuation models based on observable market inputs;
- Level 3 - valuation models, that the main inputs are not observable in the market.

Regarding the group's financial instruments classified as level 2 (note 14.2), the fair value was determined by bank entities based on inputs observable in the market and used in generally accepted valuation models and techniques.

Regarding financial instruments classified as level 3 (note 14.1), the fair value in the case of Investment funds (which represent more than 80% of the caption financial assets at fair value through profit or loss) was determined based on the valuation of PU's disclosed by the management entities of the funds in the latest financial statements available. For this purpose, investments made by these investment funds held for less than 12 months are measured at their acquisition cost (which is assumed to be similar to fair value), and in the case of investments held for more than 12 months at its fair value determined by the rules defined by CMVM, with valuations depending on factors such as investment profitability, market financing conditions, growth projections or multiples of similar transactions. Regarding participation in equity instruments from non-regulated entities, the estimated value is given by their acquisition value.

E OTHER INFORMATION

16 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

16.1 CONTINGENT LIABILITIES

The group at 31 December 2023 had contingent liabilities in progress. The most relevant matters are described below:

16.1.1 COMMERCIAL LITIGATION

- In December 2018, several units of the group received a communication from their client ADSE regarding the need to credit part of the billing made and paid by ADSE, relating to services rendered in the years of 2015 and 2016, in a total amount of €13.6 million. The notified entities were heard in prior hearing, where they requested the closure of the procedures in question. The group, supported by its legal advisors, understands that the credit adjustments communicated by the client are not justified and, as such, they are not due, so these financial statements do not consider the possible impact that the situation described could have.
- In July 2022, the Portuguese Competition Authority (PCA) condemned the Portuguese Association of Private Hospitalization (APHP) and some of its associates, including Luz Saúde, for an alleged concerted practice, restricting competition, in the contracting of hospital health services by the public health subsystem Instituto de Proteção e Assistência na Doença, I.P. (ADSE), between 2014 and 2019. The sanction decision resulted in a total fine of c.a. €191 million, of which Luz Saúde was fined €66,2 million. Luz Saúde's Board of Directors believes that it has not committed any infringement of competition law, and therefore, supported by its Legal and Compliance Department and respective external legal advisors, has appealed the referred decision. The Board of Directors of Luz Saúde believes that the decision of PCA will eventually be reversed, given that the negotiation process with ADSE, in question in the final decision of PCA, reflected only the methodology adopted for those negotiations which, at the request of ADSE itself, was agreed between ADSE and APHP, on behalf of its members, not questioning the guiding principles and rules of competition law. In a scenario, although not expected in which the appeal filed by Luz Saúde does not have the expected result, the maintenance of the conviction by the PCA could negatively affect the group in the amount disclosed above, or in any other that may be determined by the Court, following the appeal filed by Luz Saúde. The group presented 100% of the shares of its subsidiary, Hospital da Luz Oeiras, SA, as collateral to suspend the legal requirement to pay the fine.

16.1.2 Operational litigation

- The group, through its subsidiaries, is a party to medical liability claims, arising from events during the course of rendering medical services, in the amount of €12.3 million (2022: €12.7 million). The compensation for damages that may arise from most of the lawsuits is mostly covered by the civil liability insurance contracted by the group, and as such Management believes that from these situations there should be no material loss for the group. The group recognized a generic provision to address this risk.

16.1.3 Tax litigation

- Following an inspection, PTA questioned the tax acceptance of an expense associated with a debt recovery process in one of the group's subsidiaries, in the amount of €2.9 million. The receivable in question refers to operations carried out by the subsidiary in a period before its entry into the consolidation perimeter. Although the subsidiary has taken several actions to collect these receivables, as no positive outcome has been obtained, it was reached an agreement with the previous shareholders of the subsidiary to obtain a compensation for the non-collectability of said receivables. The expenses questioned by the PTA, were the necessary costs incurred to obtain a compensation for the group for the non-collection of the receivable. The subsidiary's Management, together with its legal advisors, are taking the necessary steps to challenge this matter.
- Following an inspection, PTA questioned the calculation of the tax benefits considered by two subsidiaries for the years 2013 and 2014 and identified corrections in the amounts of €0.3 million and €0.5 million thousand, respectively. Subsequently, Luz Saúde received a tax assessment of a tax act from the PTA revoking the corrections made. On 31 December 2023 the amount in dispute regarding these processes amounts to c.a. €0.4 million. Management, based on the understanding of its legal and tax consultants, understands that the amounts considered are in accordance with what is prescribed by law and consequently maintained the challenge regarding all the corrections made by the PTA.

16.1.4 Other contingent liabilities

- In the company's Shareholders General Meeting held on 22 January 2014 and considering the continuous management positions held for nearly 15 years by Isabel Maria Pereira Aníbal Vaz, in addition to her role in the promotion of the group's business development, an award of €850 thousand to the latter was approved in recognition of professional services rendered to the group. This amount will be paid in one lump sum at the time Isabel Maria Pereira Aníbal Vaz terminates her role as member of the company's Board of Directors, for any reason outside her responsibility. The payment of the proposed award is autonomous and is not intended to substitute any monetary compensations that may be legally or contractually due because of the termination of corporate management positions by Isabel Maria Pereira Aníbal Vaz, including in the company, whatever the cause and the moment of termination thereof.

- A physician hired under a provision of services through a company has taken legal action against the Group to be reclassified as an employee of one of its subsidiaries, claiming an amount of €0.845 million. The subsidiary's Management, together with its legal advisors, considers that the claim will be ruled in favor of the group and therefore no provision was recognized.

16.2 CONTINGENT ASSETS

16.2.1 FINANCIAL REBALANCING OF HBA

As a result of the COVID-19 pandemic (and the acts that were determined in this context), the activity carried out within the scope of the Management Contract celebrated between the Portuguese State and for the management of Hospital Beatriz Ângelo under a PPP regime, was significantly affected, with a negative impact on the financial conditions for the development of the contract.

This impact resulted in a decrease in revenues and an increase in expenses. The decrease in revenues was due, amongst other reasons, to the cancelation of the clinical activity in HBA (for a long period of time the only activity was the one considered by the administrative authorities as urgent or of priority), the increase in expenses not covered by the obligations or risks contractually assumed by SGHL under the Management Contract with a clear impact on its activity and on its financial balance was due, for example and in addition to other relevant causes in this context, to the extraordinary and unforeseen reinforcement of the human resources and materials necessary to combat and/ or mitigate the spread of the SARS-CoV-2 virus.

Consequently, the group understands that, under the terms of the Management Contract, there is a right to receive a compensation for the financial rebalancing of the contract related to the operations carried out over the years 2020, 2021 and 2022 (during the term of the Management Contract).

As there is still no convergence of positions with the ARS-LVT regarding the right to receive this compensation, the group chose not to record any revenue associated with it, having however triggered the foreseen mechanisms in the Management Contract to have its right recognized, demanding a compensation in an amount of around €51.4 million.

17 GUARANTEES PROVIDED

At 31 December 2023, the detail of bank guarantees provided to third parties were as follows:

Company	Beneficiary	2023	2022
HAG	Bank BPI	1 138	1 305
AMAD	Bank BPI	853	978
Luz Saúde	PTA	409	375
HME	SCM Évora	300	300
HLC	Bank BCP	-	1 422
HLO	Bank BCP	-	1 422
HLUZ	Bank BPI	-	1 304
HLA	Bank BCP	-	1 245
HGUI	Bank BCP	-	971
Other lower than €0,2 million	-	384	530
		3 084	**9 852**

Additionally, to guarantee financing lines, there are real guarantees (mortgages) granted to financial entities or in the cases in which financing was celebrated through operations of assets back loans, the legal possession of the assets was transmitted to the financial institutions, with the group having repurchase options. This situation is better described in note 12.1.3.

The shares of the subsidiary HLO were presented as guarantee of payment of amounts related to an ongoing litigation (note 16.1.1).

18 RELATED PARTIES

18.1 SHAREHOLDER STRUCTURE

Luz Saúde is controlled by Fidelidade with an ownership of 99.86%

Fidelidade is held at 84.99% by Longrun Portugal, SGPS, SA, which is 100% owned by Millennium Gain Limited, based on Hong Kong. Millennium Gain Limited is 100% owned by Fosun Financial Holdings Limited (Hong Kong), which is 100% owned by Fosun International Limited, a company listed on the Hong Kong Stock Exchange (00656.HK). Fosun International Limited is held at 73.42% by Fosun Holdings Limited, which is owned by Fosun International Holdings, Ltd. at 100%, whose ultimate beneficial owner is Mr. Guo Guangchang.

18.2 SUBSIDIARIES

The interests of the group in its subsidiaries are shown in note 1.2.1.

18.3 CORPORATE BODY REMUNERATIONS

The remuneration expenses attributed to the members of the governing bodies of the group companies were as follows:

	2023
Board of the General Shareholders Meeting	17
Supervisory Board	51
Board of Directors of Luz Saúde	2 929
Board of Directors of Luz subsidiaries	1 423
	4 420

18.4 TRANSACTIONS WITH RELATED PARTIES

	2023		2022	
	Shareholders	**Other related parties**	**Shareholders**	**Other related parties**
Revenue from services rendered	30 957	101 845	27 507	83 708
Cost of services and materials	(1 380)	-	(1 337)	-
Personnel expenses	(4 797)	(20)	(3 838)	(21)
Finance costs	-	(9 346)	-	(5 589)
Finance income	-	1 819		-
	24 780	**94 298**	**22 332**	**78 098**

18.5 BALANCES WITH RELATED PARTIES

	2023		2022	
	Shareholders	**Other related parties**	**Shareholders**	**Other related parties**
Trade receivables	6 048	15 407	4 858	11 895
Bank deposits	-	16 080	-	20 411
Trade payables	(62)	(70)	(52)	(76)
Borrowings and lease liabilities	-	(161 846)	-	(194 511)
	5 986	**(130 429)**	**4 806**	**(162 281)**

18.6 TERMS AND CONDITIONS

The amounts presented under revenue refer mostly to the rendering of healthcare services by Luz Saúde units, namely to insurance companies, at normal market prices.

The amounts recorded in expenses refer to the normal activity of the group, related to insurance and other services used by Luz Saúde and its subsidiaries, which are acquired at market prices on an arm's length basis.

19 MAIN ACCOUNTING POLICIES

The material accounting policies are described in the notes to these financial statements. The accounting policies presented were applied consistently in all periods covered by these financial statements.

19.1 BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared on a going concern basis from the books and accounting records of the companies included in the consolidation (note 1.2.1) based on historical cost, in accordance with the International Financial Reporting Standards ("IFRS"), as adopted by the European Union (EU) at 31 December 2023, modified by the application of the fair value to derivative financial instruments and financial assets at fair value through profit or loss.

These standards include both the IFRS issued by the International Accounting Standards Board ("IASB") and the International Accounting Standards ("IAS") issued by the International Accounting Standards Committee ("IASC") and their respective interpretations – IFRIC and SIC, respectively issued by the International Financial Reporting Interpretations Committee ("IFRIC") and the Standing Interpretations Committee ("SIC"). These standards and interpretations are together known as IFRS.

These financial statements are presented in thousands of euros, rounded to the nearest thousand, unless otherwise stated. The euro is the functional and presentation currency.

19.1.1 CHANGES IN ACCOUNTING POLICIES

During 2023, accounting standards and interpretations were approved and published in the Official Journal of the European Union, with application in subsequent years, although their early adoption is permitted. Below, we briefly present the standards or amendments adopted by the group in the preparation of its financial statements, as well as the standards not early adopted.

19.1.1.1 New standards, amendments or interpretations applicable to years beginning on or after 1 January 2023

As a result of the European Union (EU) endorsement, the following issues, revisions, amendments and improvements to the standards and iInterpretations occurred, among others, with effect from 1 January 2023, which, when applicable, were adopted by the group:

Issued (IASB)	IASB Standard or IFRIC Interpretation	Mandatory application in the financial years beginning on or after
June 2020	IFRS 17: Insurance Contracts (new) - including amendments on June 2020	1 January 2023
February 2021	IAS 8: Accounting policies - changes in accounting estimates and errors: definition of accounting estimates (amendments)	1 January 2023
February 2021	IAS 1: Presentation of financial statements and IFRS practice statement 2: disclosure of accounting policies (amendments)	1 January 2023
May 2021	IAS 12: Income taxes: Deferred tax related to assets and liabilities arising from a single transaction (amendments)	1 January 2023

Issued (IASB)	IASB Standard or IFRIC Interpretation	Mandatory application in the financial years beginning on or after
December 2021	IFRS 17: Insurance contracts: Initial application of IFRS 17 and IFRS 9 – comparative information (amendments)	1 January 2023
May 2023	IAS 12: Income taxes: International tax reform – Pillar two model rules (amendments)	Immediately and 1 January 2023

The adoption of these amendments to the standards had no significant impact on the group's financial statements. Regarding IAS 12 Income taxes: International reform – Pilar two model rules amendment, additional information is presented in note 10.7.

19.1.1.2 New standards, amendments and interpretations issued by the IASB, endorsed by the European Union (EU), with application for periods beginning after 1 January 2024

At the date of the approval of these financial statements, the following amendment to the standards and interpretations, issued by the IASB, was already endorsed by the EU, however their application is only mandatory for years beginning after 1 January 2024.

Issued (IASB)	IASB Standard or IFRIC Interpretation	Mandatory application in the financial years beginning on or after
January and July 2020 and October 2022	IAS 1: Presentation of financial statements - Classification of liabilities as current or non-current; Classification of liabilities as current or non-current - deferral of effective date; Non-current liabilities with covenants (amendments)	1 January 2024
September 2022	IFRS 16: Leases – Lease Liability in a sale and leaseback (amendments)	1 January 2024

The group did not carry out the early adoption of the aforementioned amendments and does not expect significant impacts on the financial statements resulting from its adoption.

19.1.1.3 New standards, amendments and interpretations issued by the IASB, which were not endorsed by the European Union (EU) until 31 December 2023

As the date of approval of these financial statements, the following standards, revisions, amendments and improvements to the standards and interpretations, issued by the IASB, were still in the process of approval by the EU:

Issued (IASB)	IASB Standard or IFRIC Interpretation	Mandatory application in the financial years beginning on or after
May 2023	IAS 7: Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements (amendments)	1 January 2024
August 2023	IAS 21: The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability (amendments)	1 January 2025

The impact of the adoption of these changes is being analyzed by the group, however no significant impacts on the financial statements are expected resulting from the adoption of these standards.

19.2 ESTIMATES AND JUDGMENTS USED IN THE PREPARATION OF FINANCIAL STATEMENTS

IFRS establish a series of accounting treatments and require the Board of Directors to make judgments, estimates and decide which accounting treatment is most appropriate for the group's operations, thus, the main accounting estimates and judgments used in the preparation of these financial statements are presented throughout the notes of these financial statements.

Considering that in many situations there are alternatives to the accounting treatment adopted by the Board of Directors, the financial position and results reported by the group could be different if a different treatment was adopted. The Board of Directors considers that the choices made are appropriate and that the financial statements present a fair view of the group's financial position, results and cash flows from its operations in all materially aspects.

19.3 COMPARABILITY

The consolidated financial statements are comparable in all material respects to the comparatives for the year ended 31 December 2022.

19.4 BASIS OF CONSOLIDATION

These consolidated financial statements include the assets, liabilities, equity, results and cash flows of Luz Saúde and its subsidiaries, and the profit or loss attributable to the group from the interests in associated companies.

The accounting policies have been applied consistently by all companies of the group, for all periods covered by these consolidated financial statements.

19.4.1 SUBSIDIARIES

Companies over which the group has control are classified as subsidiaries. Control is normally assumed when the group is exposed to, or has rights to, variable returns from its involvement with the subsidiary and has the ability to influence those returns through its power over the entity, even if the percentage it holds is less than 50%.

Subsidiary companies are full consolidated from the moment the group takes control over its activities until the moment when that control ceases.

In accordance with the full consolidation method, assets, liabilities, income, expenses and cash flows of the group companies are consolidated, internal transactions, balances, unrealized gains on transactions and dividends distributed between group companies are eliminated in the consolidation process. Unrealized losses are also eliminated unless the transaction reveals evidence of impairment of the transacted asset.

Equity and net income of the companies included in the consolidation corresponding to the participation of third parties are disclosed, respectively in a separate line, in the consolidated balance sheet in equity, and in the consolidated statement of profit or loss under the heading non-controlling interests.

The group uses the acquisition method to account for business acquisitions. The acquisition value of a subsidiary is given by the fair value of the assets delivered, liabilities assumed with the previous holders of the business and equity issued by the group. The acquisition value includes the fair value of any assets and liabilities that result from any contingent agreements. The identifiable assets and liabilities acquired, and the contingent liabilities assumed in the acquisition of a business are measured at fair value on the acquisition date.

In transactions for the acquisition of additional interests in associated companies resulting in the taking of control, the associate becomes consolidated, and the fair value of the interest previously held is considered as part of the purchase price. The difference between the book value of the interest in the associate and its fair value, is recorded in the statement of profit or loss on the date of the acquisition of control. At the time of a partial sale, which results in the loss of control over a subsidiary, any remaining interest is remeasured at market value on the date of the sale and the gain or loss resulting from that revaluation is recorded against results.

Expenses directly attributable to a business acquisition transaction are recognized in the statement of profit or loss when incurred.

19.4.2 GOODWILL

Goodwill resulting from acquisitions until 1 January 2005 is recorded in intangible assets in the consolidated balance sheet, by the amount determined on the date of transition to IFRS in accordance with previous accounting policies, according to the option permitted by IFRS 1, adopted by the group on the date of transition to IFRS.

After 1 January 2005 the group started to account for its acquisitions of subsidiaries and associates according to the acquisition method.

Goodwill represents the difference between the acquisition value and the fair value of the group's portion of the identifiable assets and liabilities acquired. If the acquisition cost is less than the fair value of the acquired subsidiary's net assets (negative goodwill), the difference is recognized as a gain in the statement of profit or loss.

Goodwill is recorded in assets at cost and is not amortized. In the case of investments in associates, goodwill is included in the respective amount in the balance sheet determined based on the equity method.

The recoverable amount of goodwill recorded in assets is reviewed annually, in the last quarter, regardless of the existence of indications of impairment. The determined impairment losses are recognized in the statement of profit or loss, and they cannot be subsequent reversed.

Impairment losses are calculated by comparing the goodwill carried amount with the recoverable amount, which is the highest value between value in use and fair value, net of selling costs.

In the analysis of goodwill impairment, goodwill to be tested is added to the unit or cash-generating units to which it relates. The value in use is determined by discounting the estimated future cash flows of the cash generating unit. The recoverable amount of the cash-generating units to which goodwill is allocated is determined based on the value in use of the assets, being calculated using valuation methodologies, supported by discounted cash flow techniques, considering market conditions, the time value and business risks. The discount rate used to discount cash flows reflects the Weighted Average Cost of Capital (WACC) pre-tax of the group for the business segment to which the cash-generating unit belongs.

The gain or loss on the sale of a business includes the carrying amount of goodwill, except when the business to which that goodwill is associated continues to generate benefits for the group.

19.4.3 NON-CONTROLLING INTERESTS

The interests of non-controlling shareholders are disclosed by the respective proportion of the book value of the identified assets and liabilities. Accumulated losses are attributed to non-controlling interests in the proportion held, which may imply the recognition of negative non-controlling interests.

Transactions with non-controlling interests that do not result in the loss of control are accounted for as equity transactions, that is, as transactions with owners in their capacity as owners. The difference between the fair value of any amount paid and the relevant portion acquired from the book value of the subsidiary's net assets is recorded in equity. Gains or losses on disposals to non-controlling interests are recorded in equity.

19.4.4 BALANCES AND TRANSACTIONS ELIMINATED ON CONSOLIDATION

Balances, transactions, and cash flows between group companies, as well as unrealized gains and losses resulting from these transactions, are eliminated in the preparation of the consolidated financial statements. Unrealized gains and losses on transactions with associates and jointly controlled entities are eliminated in proportion to the group's interest in these entities.

19.4.5 ASSOCIATES

All companies over which the group has significant influence over its financial and operating policies and does not have control or joint control are classified as associates. It is normally assumed that the group has significant influence when it holds between 20% and 50% of voting rights of the associate. Even when voting rights are less than 20%, the group may have significant influence through participation in the management of the associate or in the composition of the Boards of Directors with executive powers. Investments in associates are consolidated using the equity method, from the moment the group acquires significant influence until the moment it ends.

In accordance with this method, financial investments in associated companies are initially recognized in the balance sheet at cost and are subsequently and periodically adjusted by the amount corresponding to the participation in their net results, with a corresponding entry to gains and losses recorded directly in the statement of profit or loss. In addition, financial investments may also be adjusted by recognizing impairment losses.

Dividends attributed by associated entities are recorded as a decrease to financial investments, at the time they are attributed.

When the amount of accumulated losses incurred by an associate and attributable to the group equals or exceeds the book value of the interest and any other medium and long-term interests in that associate, the equity method is discontinued, unless the group has a constructive obligation to recognize these losses or made payments on behalf of the associate.

19.5 Property, plant and equipment

19.5.1 Recognition and measurement

The group property, plant and equipment is valued at cost less the respective accumulated depreciations and impairment losses. On the date of transition to IFRS, the group elected to consider the revalued amount of its property, plant and equipment as cost according to the previous accounting policies, this was generally equivalent to the depreciated cost measured according to IFRS, adjusted to reflect changes in the general price index.

Acquisition/ construction costs include the invoice price, transport and installation costs, financing costs and exchange rate differences in bank loans, occurring during the construction period, as well as indirect costs attributable to it during the construction period.

Subsequent costs with property, plant and equipment are only recognized if the group is likely to obtain economic benefits therefrom in the future. All ongoing maintenance and repair expenses are recognized in the consolidated profit and loss when incurred, on an accrual basis.

When there are indications that an asset may be impaired, IAS 36 requires its recoverable amount to be estimated and an impairment loss should be recognized whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in the profit and loss. The recoverable amount is the higher of the asset's sale value less any cost of disposal and its value in use. The value in use is calculated based on the discounted value of the future estimated cash flows that can be expected from the asset's continued use and its disposal at the end of its useful life.

Gains or losses arising from the write-off or disposal of property, plant and equipment are measured as the difference between the asset's sale price, less transaction costs, and the asset's carrying amount. They are recorded in the consolidated profit and loss under the caption other operating income or other operating expenses.

Property, plant and equipment in progress represent tangible assets that are still being constructed or installed and are recorded at acquisition cost. Depreciation of these assets starts in the month they become available for use on their intended purpose.

19.5.2 Depreciation

Land is not depreciated. Depreciation of the remaining tangible assets is calculated using the straight-line method, starting from the month in which the assets are available for use. The depreciation rates used correspond, on average, to the following estimated useful lives:

	Years
Buildings	4 – 40
Basic equipment	2 – 20
Transport equipment	3 – 8
Office equipment	2 – 20
Other property, plant and equipment	3 – 20

Depreciation ceases when assets are classified as held for sale.

19.6 Intangible Assets

19.6.1 Recognition and Measurement

Intangible assets are recognized at the acquisition cost less accumulated amortization and impairment losses, if any. Intangible assets are recognized only when it is likely the group will obtain economic benefits therefrom in the future that can be reliably measured.

19.6.2 Amortization

Intangible assets with a definite useful life are amortized using the straight-line method from the month they become available for use and over the life of the agreement. Intangible assets with indefinite useful lives (goodwill) are not amortized but are tested for impairment in the last quarter of each financial year or whenever there is an indicator of impairment.

19.7 Financial Instruments

Financial assets and liabilities are recognized in the consolidated balance sheet when the group becomes part of the corresponding contractual provisions. A financial asset is any asset that is cash, a contractual right to receive cash or an equity instrument from another entity. A financial liability is a liability that is embodied in a contractual obligation to deliver money.

As financial assets, the group presents in the consolidated balance sheet the captions trade receivables and other receivables, financial assets at fair value through profit or loss, derivative financial instruments, other assets and bank deposits. The group's financial liabilities are presented under trade payables, loans, lease liabilities and other payables.

19.7.1 FINANCIAL ASSETS

19.7.1.1 Recognition and measurement

The group initially measures a financial asset at its fair value plus transaction costs, the other receivables and trade receivables are measured at the transaction price determined under IFRS 15, that is similar to the fair value at the transaction date.

19.7.1.2 Subsequent measurement

The subsequent measurement of financial assets depends on their classification, the following categories are being used:

(i) Financial assets at amortized cost;

(ii) Financial assets at fair value through profit or loss;

(iii) Financial assets at fair value through other comprehensive income.

The group financial assets include financial assets at amortized cost (trade receivables, other receivables, other assets and cash) and financial assets at fair value through profit or loss. The group doesn't hold any financial assets at fair value through other comprehensive income.

Financial assets at amortized cost

A financial asset is measured at amortized cost, when both of the following criteria are met (i) the asset is held under a business model with the objective of holding financial instruments to obtain contractual cash flows, and (ii) the asset has cash flows that are 'only capital repayments and interest payments' ("Solely Payments of Principal and Interest" or "SPPI") over the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest rate method and are subject to impairment tests. Gains or losses are recognized in the statement of profit or loss when the asset is derecognized, modified or impaired.

Financial assets at fair value through profit or loss

The group classifies the following financial assets at fair value through profit or loss:

(i) financial instruments to obtain cash flows that do not qualify to be measured at amortized cost;

(ii) capital instruments held for trading purposes;

(iii) equity instruments for which the group has decided not to record fair value through other comprehensive income.

Classification is determined on an instrument-by-instrument basis.

Financial assets at fair value through other comprehensive income

The group measures the following financial assets at fair value through other comprehensive income:

(i) equity instruments held for purposes other than trading, being considered by the group at the time of acquisition as strategic investments;

(ii) debt instruments with cash flows that are only capital repayments and interest payments on the principal amount outstanding and for which the group's objective is to obtain their contractual and sales cash flows.

The group does not hold any financial assets in this category.

19.7.1.3 Derecognition

Financial assets are derecognized when: (i) the group's contractual rights to receive their cash flows expire; (ii) the group has substantially transferred all the risks and rewards of ownership; or (iii) although it retains a portion but not substantially all the risks and rewards of ownership, the group has transferred control over the assets.

19.7.2 FINANCIAL LIABILITIES

19.7.2.1 Initial recognition

All financial liabilities are initially recognized at fair value and, in the case of loans, financing and accounts payable, net of directly attributable transaction costs.

The group's financial liabilities include suppliers and other accounts payable, loans, including bank overdrafts and lease liabilities.

19.7.2.2 Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

i. Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the short term. Gains or losses on liabilities held for trading are recognized in the statement of profit or loss.

ii. Financial liabilities at amortized cost

After initial recognition, trade and other creditors, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method.

19.7.3 DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are recognized on the contract date at their fair value, which is assumed to be equal to their acquisition cost on the contract date. Subsequently, the fair value of derivative financial instruments is remeasured on each reporting date, with the gains or losses resulting from this remeasurement being recorded directly in the statement of profit or loss, except for the effects related to cash flow hedging derivatives, when they are effective, in which case they are recorded in other comprehensive income.

The fair value of derivative financial instruments corresponds to their market value, if available, or determined by external entities based on valuation techniques accepted by the market.

The group uses financial instruments to hedge the interest rate risk resulting from its financing activity. Derivatives that do not qualify as hedging within the scope of IFRS 9 are recorded as trading.

A hedging relationship exists when:

- at the date of inception there is formal documentation of the hedging relationship;
- the hedge is expected to be highly effective;
- the effectiveness of the hedge can be reliably measured;
- the hedge is assessed on an ongoing basis and determined actually to have been highly effective throughout the financial reporting period;
- in relation to the hedge of a future transaction, the transaction must be highly probable and must present an exposure to variations in cash flows that could ultimately affect net profit or loss.

Cash flow hedging derivatives are recorded at fair value and insofar as changes in fair value are effective, they are recognized in other comprehensive income. Changes in fair value that are not considered to be hedging, as they are considered inefficient in whole or in part, are immediately recognized in the statement of profit or loss. The amounts accumulated in reserves are reclassified to results in the periods when the hedged item affects results.

In the case of the discontinuation of a hedging relationship for a future transaction, the changes in the derivative's fair value recorded in reserves remain recognized there until the future transaction occurs. When the future transaction is no longer expected to occur, the accumulated gains or losses recorded in reserves are immediately recognized in the statement of profit or loss.

19.8 IMPAIRMENT

19.8.1 IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS, EXCEPT GOODWILL

The group performs impairment tests on its property, plant and equipment and intangible fixed assets whenever there is an event or change that indicates that the amount for which the asset is registered may not be recovered. Should such indicators exist, the group determines the recoverable amount of the asset in order to determine the possible extent of the impairment loss.

When it is impossible to determine the recoverable amount of a given asset, the recoverable amount of the cash-generating unit to which the asset belongs is estimated.

The recoverable amount of the asset or the cash-generating unit is the greater of (i) its nets sale price and (ii) its value in use. The net sale price is the amount that would be obtained from the disposal of the asset in a transaction between independent and knowledgeable parties, less the direct disposal costs. The value in use is derived from the asset's future estimated discounted cash flows during its expected useful life. The discount rate used to update discounted cash flows reflects the time value of money and the specific risk of the asset.

Whenever the carrying amount of the asset or cash-generating unit is higher than its recoverable amount, an impairment loss is recognized. The impairment loss is recorded in the profit and loss under the caption other operating expenses.

When an impairment loss is subsequently reversed, the carrying value of the asset is remeasured to its estimated value and is recognized in the consolidated profit and loss as a deduction under the caption other operating costs. However, the reversal of the impairment loss is limited to the amount that would have been recognized (net of amortization or depreciation) had the impairment loss not been recognized in previous periods.

19.8.2 IMPAIRMENT OF FINANCIAL ASSETS

The group recognizes impairments for expected credit losses on financial assets not held at fair value through profit or loss. Losses are estimated based on the difference between the net book value of the financial instruments and the cash flows the group expects to receive, discounted according to the original effective interest rate estimate.

Losses are estimated using two different approaches, which are described below:

(i) the credit risk associated with credits for which there is no significant increase in credit risk compared to initial recognition, is estimated based on a calculation model, which takes into account the debtor's credit profile, life of the asset on each reporting date and the average expected payment terms for each debtor based on its credit profile. In carrying out the assessment of the provision for losses, the group takes into account the experience with historical credit losses and specific prospective factors of debtors and the economic environment.

(ii) credits with increased credit risk compared to initial recognition are provisioned based on the economic analysis carried out by the management of each subsidiary, taking into account the credit situation of the debtor, the market in which it operates and its known default history. According to this criterion, the provision for credit risk is constituted on an economic basis taking into account the age of the credit, the internal and external information available about each debtor;

19.9 LEASES

The group enters to lease contracts to use assets in its operating activities such as buildings, medical and administrative equipment and vehicles.

Typically, lease contracts have a duration of 4 to 10 years, except in the case of buildings, where longer periods are considered, and the duration of the contracts may exceed 20 years, if the options provided for in the contract are exercised by the group. When applicable, the group allocates lease payments from the contract to lease components and other than leases, based on the value of each component, except for vehicle leases, in which the group has chosen not to separate the lease components and non-lease, considering the two components together as if it were a single lease component.

Until 31 December 2018, the group classified lease operations as finance leases or operating leases, according to their substance and not their legal form, following the criteria defined in IAS 17 - Leases. Operations where the risks and benefits inherent in the ownership of an asset are transferred to the lessee were classified as finance leases. All other leasing operations were classified as operating leases.

From 1 January 2019, leasing contracts started to be recognized in assets (in right-of-use assets) and in liabilities from the date the underlying asset became available for use by the group. The assets and liabilities arising from a lease are initially measured at present value.

Lease liabilities include the current value of the following lease payments:

- fixed payments (including fixed payments in substance), less leasing incentives;
- variable payments, based on an index or rate;
- expected payments for residual value guarantees;
- exercise value of a call option, when the group has reasonable certainty of exercising that option;
- payment of penalties for terminating contracts, provided that the group exercises this option; and
- payments to be made under contract extension options when the group is reasonably sure of exercising that option.

Lease payments are discounted using the interest rate implicit in the lease. If this rate cannot be easily determined, as is the case with leases between group companies, the group's incremental financing rate is used, which is the rate that the lessee would have to pay for obtaining the necessary funds to purchase an asset of a similar value, to the asset under right of use for a similar period, in a similar economic environment, and with similar guarantees.

To determine the incremental financing rate, the group:

- whenever possible, it uses the recent financing conditions obtained from third parties, adjusted to reflect changes in financing conditions since the financing was obtained, for contracts lasting up to 7 years;
- for contracts with a duration of more than 7 years, typically building lease contracts, the incremental rate was composed by aggregating the interest rate without observable risk in the real estate market, adjusted by the group's financing rate differential for the market and for the rate of portuguese bonds for similar terms.

The group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the value of the lease liability until they come into force. Adjustments to lease payments based on an index or rate imply a revaluation of the lease liability against the increase in the right-of-use assets.

Some lease contracts have variable rentals that are determined based on the level of utilization of the underlying assets. Considering the fact that these contracts include minimum utilization commitments, the group believes that for this minimum component, the conditions are met to consider these contracts as assets under use rights. The lease payments are separated by the settlement of the acquisition value and its financial component, in which the financial cost is recorded in the statement of profit or loss during the lease period, in order to produce an effective interest rate.

Assets under right of use are initially measured at cost, which comprises:

- the value of the initial measurement of the lease liability;
- any lease payments made on or before the lease start date, less the rental incentives received;
- any initial direct costs; and
- dismantling and replacement costs.

Assets under right-of-use are generally depreciated by the minimums, between the useful life of the asset and the lease term, except when the group has a call option on the underlying asset and it is reasonably certain that this option will be exercised.

Payments associated with short-term leases (term less than 12 months) for equipment and vehicles and contracts for the lease of low-value assets are recognized on a straight-line basis in the statement of profit or loss over the term of this contract.

When the lease contracts have a sublease agreement associated with it, the group recognizes a financial liability for all lease payments updated at the incremental rate, and for right-of-use assets to the extent of the agreed sublease.

19.10 INVENTORIES

The inventories comprise goods and the subsidiary and consumer materials and are valued at the lower of the acquisition cost and the net realizable value. The acquisition cost comprises the expenses incurred until the storage of inventories, using the weighted average cost as a costing method.

The net realizable value corresponds to the estimated selling price less estimated selling costs.

The differences between the acquisition cost and the net realizable value, if lower, are recorded in other operating expenses and losses in the statement of profit or loss.

19.11 REVENUE

Revenue or income is recognized whenever economic benefits are likely to flow to the group and can be reliably estimated, being measured at the fair value of the consideration received or receivable, net of discounts granted and taxes. The revenue associated with the transaction is recognized with reference to the stage of completion of the transaction at the reporting date.

19.11.1 REVENUE FROM HEALTHCARE SERVICES

In the case of the activity developed within the scope of healthcare service rendered in the private segment, revenue is recognized based on the activity produced in the period, because it is understood that in most activities the fulfillment of the performance obligation is substantially completed at the time of the medical act, duly valued by the price lists defined for each act of the provision, regardless of its actual billing.

19.11.2 REVENUE FROM SENIOR RESIDENCIES

Within the scope of the activity developed by the senior residences, revenue is recognized based on the Lifetime Use Rights (LUR’s). This recognition is made according to the characteristics of each type of contract:

- In LUR's without the right to transfer titleholder, or with the right to only one transfer, the contract value is initially accounted for in deferred income, with income from the member's entry into the Club being imputed for a period that takes into account the age of the member (or of the transferee, if this is possible) at the date of entry, taking into account the average life expectancy defined by the GRF95 tables;
- In LUR's with the right to unlimited transmissions, the contract value is immediately recognized as revenue, with an increase in costs being recorded against sales costs, corresponding to the unit's peril in the total cost of buildings, which is subsequently recognized in the profit or loss in the same period as the depreciation period of the corresponding tangible fixed assets.

19.11.3 REVENUE FROM TRAINING SERVICES

The revenue associated with the training services rendered are recognized, at its value net of taxes and discounts, on the date of the realization of training events contracted with customers (ie on the date on which the significant risks and benefits are transferred to the customer), thus, the amounts billed and charged until the date of the event are deferred in the balance sheet.

19.11.4 REVENUE FROM THE SALES OF GOODS

In the sale of goods made by the group, there is only one performance obligation, so revenue is recognized when the goods are transferred to the customer's possession.

19.11.5 ACCOUNTS RECEIVABLE AND CONTRACT ASSETS AND LIABILITIES

Accounts receivable represent rights to amounts for which there is no performance obligation to be fulfilled.

In accordance with IFRS 15, in cases where there are performance obligation to be complied with, balances receivable from customers (recognized in accounts receivable from customers and accrued income) or balances already received (as advances or deferred income), results to contract assets and contract liabilities, respectively.

19.12 ACCRUAL BASIS

The group companies record their income and expenses in accordance with the accrual accounting regime, whereby income and expenses are recognized when they occur regardless of when they are received or paid. The differences between the amounts received and paid and the corresponding expenses and income are recorded under the captions other accounts receivable or other accounts payable, respectively.

19.13 FINANCE COSTS AND INCOME

Finance income include interest and financial discounts obtained from third parties, being recognized in the period to which they relate. Dividends are also recognized when the obligation to distribute dividends is constituted in the reporting company.

Financial costs include interest paid and other bank costs and are also recognized in the period to which they relate.

19.14 INCOME TAX

Income tax is recognized according to IAS 12 – Income Taxes and includes both current and deferred tax. Taxes on profits are recognized in the consolidated profit and loss, except when related to items directly recognized in equity, in which case they are also reported in equity.

Current taxes are those that are expected to be paid based on the taxable income calculated in accordance with the tax rules in force and using the approved or substantially approved tax rate.

Deferred taxes are calculated by using the balance sheet liability method on temporary differences between the carrying values of assets and liabilities and their tax base, using the tax rates approved or substantially approved as at the reporting date and which are expected to be applied when the temporary differences are reversed.

Deferred tax liabilities are recognized for all temporary taxable differences with the exception of non-deductible goodwill for tax purposes, for differences arising from the initial recognition of assets and liabilities that affect neither accounting nor taxable profits, and for differences related to investments in subsidiaries to the extent they are unlikely to be reversed in the future. Deferred tax assets are recognized only to the extent it is likely that future taxable profit will be able to use the temporary deductible differences.

The group is taxed according to the special tax regime for corporate groups, which covers all the companies in which the parent company of the tax group directly or indirectly holds at least 75% of the share capital and as long as these companies meet the requirements established in the Corporate Income Tax Code. The remaining subsidiaries that do not fall under the group's special tax regime are taxed individually, according to their respective taxable income and applicable tax rates.

Current taxes are determined based on the accounting results adjusted according to the tax law in force. Currently, companies resident in Portugal are subject to a corporate income tax rate of 21%, plus a municipal surcharge of up to a maximum of 1.5% of taxable profits, and a State surcharge of 3% of taxable profits between €1.5 million and €7.5 million, 5% on taxable profits between €7.5 million and €35 million, and 9% on taxable profits above €35 million.

The payment of income tax is made on the basis of self-assessment declarations that are subject to inspections and eventual adjustment by the tax authorities during the period of four years from the year to which they relate. Tax losses for a given year, which are also subject to inspection and adjustment for a period of four to ten years, and can be used against tax profits of future fiscal years, without time limit. From 2014 until 31 December 2022, the deduction of taxable losses is capped at 70% of the taxable profit assessed in the tax year in which the taxable losses are used. This limit was increased by 10 p.p. for tax losses in the 2020 and 2021 tax periods. From the tax periods beginning on or after 1 January 2023, the annual limit for the deduction of tax losses was reduced to 65%. This change applies to the deduction of losses from taxable profits for tax periods beginning on or after January 1, 2023, as well as to tax losses from tax periods prior to 1 January 2023, for which the deduction period is still in progress.

Pursuant to IAS 12, the group offsets deferred tax assets and liabilities whenever: (i) the respective company has a legally enforceable right to offset current tax assets and liabilities; (ii) the deferred tax assets and liabilities relate to income taxes levied by the same tax authority and on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously in future periods in which deferred taxes are expected to the settled or recovered.

19.15 PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Provisions are recognized when (i) the group has a present obligation, due to past events (legal or constructive), (ii) it is likely that a cash outflow will be required and (iii) when the amount of the obligation can be reliably estimated.

When one of these requisites is not met, the group discloses the event as a contingent liability, unless the possibility of an outflow of funds is highly unlikely.

The amount of the provisions corresponds to the present value of the obligation, with the financial update being recognized in the profit or loss the caption finance cost.

Provisions are revised on the reporting date and are adjusted to reflect the best estimate on that date.

Contingent assets are not recognized in the consolidated financial statements but are disclosed when it is likely they will generate a future economic benefit.

19.16 SEGMENT REPORTING

Pursuant to IFRS 8, an operating segment is a component of the group: (i) that engages in business activities from which it may earn revenue and incur expenses; (ii) whose operating results are regularly reviewed by the group's chief operating decision-maker for the purpose of making decisions about allocating resources to the segment and assessing its performance; and (iii) for which separate financial information is available.

Segment information is reported consistently with the internal management information model used by the group. For reporting purposes, exist three operating segments: private healthcare, other activities and corporate center.

19.17 EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit attributable to the company shareholders by the weighted average number of ordinary shares outstanding during the period, excluding the average number of treasury shares held.

To calculate diluted earnings per share, the weighted average number of ordinary shares outstanding is adjusted to reflect the impact of all potential diluting effects, such as those resulting from convertible debt or options over own shares granted to employees. The dilution results in lower earnings per share, due to the assumption that convertible instruments are converted or the granted options are exercised.

19.18 DIVIDEND DISTRIBUTION

The distribution of dividends is recognized as a liability from the time they are approved by the company's General Shareholders Meeting until they are paid to shareholders.

19.19 CONSOLIDATED STATEMENT OF CASH FLOWS

The consolidated statement of cash flows is prepared using the direct method, through which cash inflows and outflows in operating, investing and financing activities are disclosed.

19.20 SUBSEQUENT EVENTS

Events that occur after the closing date, up to the date of approval of the consolidated financial statements by the Board of Directors, and that provide additional information on conditions that existed at the closing date of accounts are reflected in the financial statements. Events occurring after the closing date that are indicative of conditions that arose after the date of the financial report are disclosed in the notes to the consolidated financial statements, when considered relevant.

19.21 EMPLOYEE BENEFITS

Pursuant to Portuguese legislation, employees are currently entitled to one-month holiday and one-month holiday allowance. This right is earned in the year prior to the year payment is made.

Under the performance assessment system in place, employees may come to earn a bonus should they achieve certain objectives. This right is usually earned in the year prior to the year payment is made.

Liabilities are recognized in the consolidated profit or loss in the period in which the employees earn the referred right, regardless of the date of payment. The obligation is recognized under liabilities in the caption other payables.

THE CERTIFIED ACCOUNTANT

(Sónia Amoedo Matos)

THE BOARD OF DIRECTORS

(Jorge Manuel Baptista Magalhães Correia)

(Isabel Maria Pereira Aníbal Vaz)

(Artur Aires Rodrigues de Morais Vaz)

(Fang Yao)

(Ivo Joaquim Antão)

(João Paulo da Cunha Leite de Abreu Novais)

(Margarida Maria Correia de Barros Couto)

(Maria Isabel Toucedo Lage)

(Rogério Miguel Antunes Campos Henriques)

(Teresa Alexandra Pires Marques Leitão Abecasis)

(Tomás Leitão Branquinho da Fonseca)

(Vítor Manuel Lopes Fernandes)

20 GLOSSARY

ACE	Luz Saúde – Serviços, A.C.E.
ADSE	Instituto de Proteção e Assistência na Doença, I.P.
APHP	Associação Portuguesa de Hospitalização Privada
ARS-LVT	Administração Regional de Saúde de Lisboa e Vale do Tejo
CASAS	Casas da Cidade – Residências Sénior, S.A.
Casas Carnaxide	Casas da Cidade – Residência Sénior de Carnaxide, S.A.
CCHCI II	Capital Criativo Health Care Investments II, SA
CFEI II	Extraordinary tax credit to investment
CIRC	Corporate income tax code
CIT	Corporate income tax
CMVM	Comissão do Mercado de Valores Mobiliários
CRB	Clube Residencial da Boavista, S.A.
DCF	Discounted Casf-Flows
DFA	Finance and audit department
DSAF	Financial and administrative services department
EBITDA	Earnings Before Interest Tax Depreciation and Amortization
EU	European Union
FCR	Venture capital funds
FCT	Fundo de Compensação de Trabalho
Fidelidade	Fidelidade Companhia de Seguros, S.A.
Fosun	Fosun International Holdings, Ltd
GENOMED	Genomed - Diagnósticos de Medicina Molecular, S.A.
GLSLH	GLSMED Learning Health, S.A.
GLST	GLSMED Trade, S.A.
HAG	Hospital da Luz Arrábida, S.A.
HBA	Hospital Beatriz Ângelo
HLA	Hospital da Luz Aveiro, S.A.
HLC	Hospital da Luz Coimbra, S.A.
HL-CCA	Hospital da Luz – Centro Clínico da Amadora, S.A.
HLF	Hospital da Luz Funchal, S.A.
HLG	Hospital da Luz Guimarães, S.A.
HLL	Hospital da Luz, S.A.
HLO	Hospital da Luz Oeiras, S.A.
HME	HME – Gestão Hospitalar, S.A.
HOSPOR	Hospor – Hospitais Portugueses, S.A.
HRM	Hospital Residencial do Mar, S.A.

IAS	International Accounting Standards
IASB	International Accounting Standards Board
IASC	International Accounting Standards Committee
IFRIC	IFRS Interpretation Committee
IFRS	International Financial Reporting Standards
IMI	Property tax
Invested Capital	Sum of net debt and shareholders equity
LURs	Lifetime use rights
Luz Saúde	Luz Saúde, S.A.
Multicare	Multicare – Seguros de Saúde, S.A.
Net debt	Total financial debt net of cash and cash equivalents
OCI	Other comprehensive income
OECD	Organisation for Economic Co-operation and Development
PCA	Portuguese competition authority
PPP	Parceria Público Privada
PTA	Portuguese tax authority
PU	Participation units
RETGS	Special regime of group taxation
RML	RML – Residência Medicalizada de Loures, SGPS, SA
SGHL	SGHL – Sociedade Gestora do Hospital de Loures, S.A.
SIC	Standing Interpretation Committee
SIFIDE	Tax benefits scheme for research and development
SURGICARE	SURGICARE – Unidades de Saúde, SA
USATI	Luz Saúde Unidades de Saúde e de Apoio à Terceira Idade, S.A.
VAT	Valued added tax
VLUSITANO	Vila Lusitano - Unidades de Saúde, S.A.
WACC	Weighted average cost of capital

LUZ SAÚDE, S.A.

SUPERVISORY BOARD REPORT AND OPINION

31 DECEMBER 2023

(free translation from the original version in Portuguese language. In case of doubt, the Portuguese version prevails)

In accordance with applicable laws, bylaws and the mandate that we are entrusted with, we present the report on the supervision activity and the opinion on the financial statements, prepared by the Board of Directors and under its responsibility.

During the year, we monitored the company's activity, taking all the steps necessary to fulfill the duties to which we are obliged, and we verify the regularity of the accounting records and the compliance with applicable legal and statutory laws, having carried out the verifications deemed appropriate.

We obtained from the Board of Directors and other corporate bodies periodically information and clarification on the activity of the company and the progress of its business.

We appreciated the Management Report and the individual and consolidated financial statements for the financial year, as well as the Statutory Audit Report, with which we agree.

According with foregoing, the Supervisory Board issues the following:

OPINION

- That the Management Report and the individual and consolidated financial statements for the financial year be approved, as presented by the Board of Directors.
- That the proposal for profit allocation contained in the Management Report be approved.

The Supervisory Board thanks the Board of Directors and the other governing bodies for the good collaboration received throughout the financial year.

Lisbon, 19 March 2024

The Supervisory Board,

Vasco Jorge Valdez Ferreira Matias – Chairman

João Filipe Gonçalves Pinto- Member

Carlos Fernando Tomé da Silva Westerman ─ Member

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*(Translation from the original document in the Portuguese language.
In case of doubt, the Portuguese version prevails)*

Statutory and Auditor's Report

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the accompanying consolidated financial statements of Luz Saúde, S.A. (the Group), which comprise the Consolidated Balance Sheet as at 31 December 2023 (showing a total of 894,470 thousand euros and a total equity of 325,980 thousand euros, including a net profit for the year of 31,142 thousand euros), the Consolidated Income Statement by Nature, the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows for the year then ended, and notes to the consolidated financial statements, including material information about the accounting policy.

In our opinion, the accompanying consolidated financial statements give a true and fair view, in all material respects, of the consolidated financial position of the Luz Saúde, S.A., as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards as endorsed by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and other technical and ethical standards and guidelines as issued by the Institute of Statutory Auditors. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section below. We are independent of the entities comprising the Group in accordance with the law and we have fulfilled other ethical requirements in accordance with the Institute of Statutory Auditors´ code of ethics.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and the supervisory body for the consolidated financial statements

Management is responsible for:

- the preparation of consolidated financial statements that presents a true and fair view of the Group´s financial position, financial performance and cash flows in accordance with the with the International Financial Reporting Standards as endorsed by the European Union;
- the preparation of the Management Report in accordance with the laws and regulations;
- designing and maintaining an appropriate internal control system to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
- the adoption of accounting policies and principles appropriate in the circumstances; and
- assessing the Group's ability to continue as a going concern, and disclosing, as applicable, matters related to going concern that may cast significant doubt on the Group´s ability to continue as a going concern.

The supervisory body is responsible for overseeing the Group's financial reporting process.

Sociedade Anónima - Capital Social 1.340.000 euros - Inscrição n.º 178 na Ordem dos Revisores Oficiais de Contas - Inscrição N.º 20161480 na Comissão do Mercado de Valores Mobiliários
Contribuinte N.º 505 988 283 - C. R. Comercial de Lisboa sob o mesmo número
A member firm of Ernst & Young Global Limited

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

- obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion; and

- communicate with those charged with governance, including the supervisory board, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibility also includes the verification that the information contained in the Management Report is consistent with the consolidated financial statements.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

On the Management Report

Pursuant to article 451, nr. 3, paragraph e) of the Commercial Companies Code, it is our opinion that the Management Report was prepared in accordance with the applicable legal and regulatory requirements and the information contained therein is consistent with the audited consolidated financial statements and, having regard to our knowledge and assessment over the Group, we have not identified any material misstatement.

Lisbon, 19 March 2024

Ernst & Young Audit & Associados – SROC, S.A.
Sociedade de Revisores Oficiais de Contas
Represented by:

(Signed)

Ricardo Miguel Barrocas André - ROC nº 1461
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INDIVIDUAL BALANCE SHEET AT 31 DECEMBER 2023

Amounts expressed in thousands of euros

(free translation from the original version in Portuguese)

	Note	2023	2022
Assets			
Non-current assets			
Property, plant and equipment	3.1	1 406	1 947
Right-of-use assets	3.2	363	589
Intangible assets	3.3	14 788	10 178
Deferred tax assets	16.4	5 199	5 143
Other non-current assets	4.3	1 149	1 695
Other receivables	4.1	1 995	1 713
Investments in subsidiaries	3.4	514 396	526 972
Derivative financial instruments	9	2 140	4 327
Financial assets at fair value through profit or loss	6.1	6 879	6 927
Total non-current assets		**548 315**	**559 491**
Current assets			
Other current assets	4.3	1 282	796
Trade and other receivables	4.1	27 657	18 873
Current income tax receivable	16.3	2 338	2 032
Cash and cash equivalents	5.3	1 900	2 505
Total current assets		**33 177**	**24 206**
Total assets		**581 492**	**583 697**
Equity			
Equity and reserves			
Share capital	5.2.1	95 542	95 542
Share premium	5.2.2	61 796	61 796
Reserves and retained earnings	5.2.3	167 692	149 999
Total shareholders' equity		**325 030**	**307 337**
Liabilities			
Non-current liabilities			
Borrowings	5.4	135 408	172 710
Lease liabilities	5.4	118	349
Deferred tax liabilities	16.4	218	678
Provisions	6.2	18	18
Total non-current liabilities		**135 762**	**173 755**
Current liabilities			
Trade payables	4.2	5 882	4 890
Other payables	4.2	15 421	11 682
Borrowings and bank overdrafts	5.4	99 130	85 764
Lease liabilities	5.4	267	269
Total current liabilities		**120 700**	**102 605**
Total liabilities		**256 462**	**276 360**
Total equity and liabilities		**581 492**	**583 697**

The accompanying notes form an integral part of these individual financial statements

INDIVIDUAL STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2023

Amounts expressed in thousands of euros

(free translation from the original version in Portuguese)

	Note	2023	2022
Revenue from services rendered	10	5 886	4 798
Other operating income	11	1	670
Total operational income		**5 887**	**5 468**
Costs of services and materials	12	(3 703)	(2 094)
Personnel expenses	13	(3 565)	(3 142)
Other operating expenses		(192)	(174)
Depreciation and amortization	3	(3 611)	(2 987)
Operating loss		**(5 184)**	**(2 929)**
Financial income	14	38 219	26 772
Finance cost	15	(10 881)	(6 882)
Impairment of investments in subsidiaries, net of reversals	3.4	(4 025)	(4 080)
Profit before income tax		**18 129**	**12 881**
Income tax	16.1	1 293	3 547
Profit for the year		**19 422**	**16 428**
Other comprehensive income:			
Items that maybe reclassified to profit or loss			
Cash flow hedges, net of tax	9	(1 729)	4 493
Other comprehensive income for the year		**(1 729)**	**4 493**
Comprehensive income for the year		**17 693**	**20 921**

The accompanying notes form an integral part of these individual financial statements

INDIVIDUAL STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2023

Amounts expressed in thousands of euros

(free translation from the original version in Portuguese)

	Note	2023	2022
Operating activities			
Receipts from customers	17.1	23 899	21 103
Payments to suppliers	17.2	(20 948)	(16 735)
Payments to employees		(1 344)	(1 278)
Cash flow generated from operations		1 607	3 090
Income tax received		2	420
Other payments related with operating activities, net		(1 803)	(1 594)
Net cash flow (used) /generated from operating activities		**(194)**	**1 916**
Investing activities			
Proceeds from:			
Disposal of property, plant and equipment		1 000	-
Equity instruments in investees	17.3	9 136	8 807
Loans to subsidiaries		23 600	30 306
Interest received		6 598	6 090
Dividends	14	28 264	20 373
Payments related with:			
Property, plant and equipment and intangible assets		(10 315)	(6 179)
Equity instruments in investees	17.4	(11)	(6 250)
Loans to subsidiaries		(23 818)	(39 685)
Other financial assets	17.5	(147)	(3 000)
Net cash flow generated in investing activities		**34 307**	**10 462**
Financing activities			
Proceeds from:			
Borrowings	17.6	781 147	722 395
Financing receipts from related parties	17.7	129 250	98 450
Payments related with:			
Borrowings	17.6	(814 862)	(691 833)
Lease liabilities	3.2.2	(281)	(293)
Interest and other similar expenses		(10 435)	(6 704)
Financing payments from related parties	17.7	(131 503)	(100 700)
Net cash flow (used) / generated in financing activities		**(46 684)**	**21 315**
Change in cash and cash equivalents		**(12 571)**	**33 693**
Cash and cash equivalents at the beginning of the year	5.3	2 505	(31 188)
Cash and cash equivalents at the end of the year	5.3	**(10 066)**	**2 505**

The accompanying notes form an integral part of these individual financial statements

INDIVIDUAL STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2023

Amounts expressed in thousands of euros

(free translation from the original version in Portuguese)

	Note	Share capital	Share premium	Reserves and retained earnings	Total
At 1 January 2022		95 542	61 796	129 078	286 416
Profit for the year		-	-	16 428	16 428
Other comprehensive income for the year		-	-	4 493	4 493
Total comprehensive income for the year		**-**	**-**	**20 921**	**20 921**
At 31 December 2022	5.2	**95 542**	**61 796**	**149 999**	**307 337**
At 1 January 2023		95 542	61 796	149 999	307 337
Profit for the year		-	-	19 422	19 422
Other comprehensive income for the year		-	-	(1 729)	(1 729)
Total comprehensive income for the year		**-**	**-**	**17 693**	**17 693**
At 31 December 2023	5.2	**95 542**	**61 796**	**167 692**	**325 030**

The accompanying notes form an integral part of these individual financial statements

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS

(free translation from the original version in Portuguese)

A ENTITY

1 REPORTING ENTITY

Luz Saúde, SA (hereinafter referred to as "Luz Saúde" or "company") is a limited liability company, with registered office in Lisbon, at Rua Carlos Alberto da Mota Pinto n°17 – 9° floor, registered at the Commercial Registry Office with the number and tax ID 504 885 367, whose corporate purpose is the development and participation in healthcare businesses in a direct and indirect way.

Luz Saúde is controlled by Fosun International Holdings Ltd ("Fosun") through Fidelidade – Companhia de Seguros, SA ("Fidelidade").

On the shareholders meeting held on 22 December 2023, shareholders approved, among others, the following resolutions:

(i) a share capital increase up to a maximum nominal amount of €23 885 563 through the issue of 23 885 563 new ordinary shares with a nominal value of €1 to be paid in cash through an offer of shares for private subscription;

(ii) the admission to trading on the regulated market managed by Euronext Lisbon of all the shares of the company's capital, including the shares approved to be issued.

Following the share capital increase, Fidelidade – Companhia de Seguros, SA will dilute its current shareholding position, although it will maintain a majority participation in the company after the completion of these operations, which are planned to occur during 2024.

2 FINANCIAL STATEMENTS APPROVAL

These financial statements were approved and authorized for issue by the Board of Directors on 15 March 2024. These financial statements are still subject to the approval of the General Shareholders' Meeting, in accordance with the Portuguese commercial legislation.

B FINANCIAL POSITION

3 INVESTMENTS

3.1 PROPERTY, PLANT AND EQUIPMENT

[POLICY]

Property, plant and equipment is valued at cost less accumulated depreciation and impairment losses. Subsequent expenses with tangible assets are recognized only if it is probable that they will result in future economic benefits for the company. All current maintenance and repair expenses are recognized as an expense in the profit or loss under cost of services and materials.

Depreciation of property, plant and equipment is calculated using the straight-line method, starting from the month in which the assets are available for use. The depreciation rates used correspond, on average, to the following estimated useful lives:

	Years
Basic equipment	3-8
Other property, plant and equipment	3-8

Depreciation ceases when the assets are classified as held for sale.

When there is an indication that an asset may be impaired, its recoverable amount is estimated, an impairment loss is recognized whenever the carry amount of an asset exceeds its recoverable amount. Impairment losses are recognized in the statement of profit or loss.

[ESTIMATE]

The depreciation rates used reflect the best knowledge about the estimated useful life. The residual values of the assets and the respective useful lives are reviewed and adjusted, when necessary.

The changes in property, plant and equipment can be presented as follows:

	Basic equipment	In progress	Total
Acquisition cost			
At 1 January 2022	4 993	222	5 215
Addition	-	831	831
Transfer	747	(747)	-
At 31 December 2022	**5 740**	**306**	**6 046**
At 1 January 2023	5 740	306	6 046
Addition	440	-	440
Transfer	306	(306)	-
At 31 December 2023	**6 486**	**-**	**6 486**
Accumulated depreciation			
At 1 January 2022	3 158	-	3 158
Depreciation for the year	941	-	941
At 31 December 2022	**4 099**	**-**	**4 099**
At 1 January 2023	4 099	-	4 099
Depreciation for the year	981	-	981
At 31 December 2023	**5 080**	**-**	**5 080**
Net book value			
At 31 December 2022	**1 641**	**306**	**1 947**
At 31 December 2023	**1 406**	**-**	**1 406**

Fully depreciated tangible fixed assets amount to €3.3 million (2022: €2.7 million).

3.2 RIGHT-OF-USE ASSETS

[POLICY]

The company enters into lease contracts to use assets in its operating activity, such as buildings and vehicles. Typically, these lease contracts are made for periods of 4 to 10 years. When applicable, the company allocates contract lease payments to lease components, and non-lease payments are recognized based on the value of that component, except for vehicle leases, where the company has chosen not to separate lease and non-lease components, registering the two components together as if they were a single lease component.

From 1 January 2019 onwards, building and vehicle lease contracts started to be recognized in assets (right-of-use assets) and in liabilities, from the date the underlying asset became available for use by the company.

Right-of-use assets are measured at cost, which comprises:

- the value of the initial measurement of the lease liability;
- any lease payments made on or before the lease start date, less the rental incentives received;
- any initial direct costs; and

- dismantling and replacement costs.

Right-of-use assets are generally depreciated at the shorter of the assets' useful life and the lease period, except when the company has a purchase option on the underlying asset, and it is reasonably certain that this option will be exercised.

3.2.1 RIGHT-OF-USE ASSETS MOVEMENT FOR THE YEAR

	Buildings	Transport equipment	Total
Acquisition cost			
At 1 January 2022	1 026	294	1 320
Addition	-	59	59
At 31 December 2022	**1 026**	**353**	**1 379**
At 1 January 2023	1 026	353	1 379
Addition	39	1	40
At 31 December 2023	**1 065**	**354**	**1 419**
Accumulated depreciation			
At 1 January 2022	344	158	502
Depreciation for the year	206	82	288
At 31 December 2022	**550**	**240**	**790**
At 1 January 2023	550	240	790
Depreciation for the year	206	60	266
At 31 December 2023	**756**	**300**	**1 056**
Net book value			
At 31 December 2022	**476**	**113**	**589**
At 31 December 2023	**309**	**54**	**363**

3.2.2 IMPACT ON THE STATEMENT OF PROFIT OR LOSS

	2023	2022
Depreciation of right-of-use assets		
Buildings	206	206
Transport equipment	60	82
	266	**288**
Financial expenses		
Financial expenses on lease contracts	11	20
	11	**20**
Rents		
Short-term leases	6	1
Low-value leases	1	7
Lease agreements for intangible assets	-	60
	7	**68**

In 2023, payments made on lease contracts amounted to €281 thousand (2022: €293 thousand).

The lease liabilities are presented in note 5.4.7.

3.3 INTANGIBLE ASSETS

[POLICY]

Intangible assets are recorded at acquisition cost, less accumulated amortization and impairment losses, when applicable. Intangible assets are only recognized when it is probable that they will result in future economic benefits for the company and they can be measured reliably.

Intangible assets with defined useful lives are amortized using the straight-line method, starting from the month in which they are available for use. The amortization rates used correspond, on average, to the following estimated useful lives.

	Years
Software	3-5

Intangible assets with undetermined useful lives are not subject to amortization, being subject to impairment tests in the last quarter of each financial year or when there is an indication that they may be impaired.

	Software	In progress	Total
Acquisition costs			
At 1 January 2022	11 677	1 213	12 890
Additions	-	5 348	5 348
Transfers	2 768	(2 768)	-
At 31 December 2022	**14 445**	**3 793**	**18 238**
At 1 January 2023	14 445	3 793	18 238
Additions	-	6 974	6 974
Transfers	2 372	(2 372)	-
At 31 December 2023	**16 817**	**8 395**	**25 212**
Accumulated amortization			
At 1 January 2022	6 302	-	6 302
Amortization for the year	1 758	-	1 758
At 31 December 2022	**8 060**	**-**	**8 060**
At 1 January 2023	8 060	-	8 060
Amortization for the year	2 364	-	2 364
At 31 December 2023	**10 424**	**-**	**10 424**
Net book value			
At 31 December 2022	**6 385**	**3 793**	**10 178**
At 31 December 2023	**6 393**	**8 395**	**14 788**

Intangible assets in progress refer to IT projects that are being developed. The increase compared to the previous year can be explained by the development of a new software tool that will support the clinical and administrative operations of health care units.

Fully amortized intangible fixed assets amount to €5.4 million (2022: €4.9 million).

3.4 INVESTMENT IN SUBSIDIARIES

[POLICY]

Financial investments in equity interests and equity loans to subsidiaries are recognized at acquisition cost, less impairment losses when applicable.

Loans to subsidiaries are classified as non-current assets when they have a maturity over 12 months from the reporting date or when the payment term is less than 12 months and there is an intention of the company to renew the loan for a longer period. They are measured at amortized cost through the effective interest rate method. When there is evidence that they are impaired (i.e. when financial investments deteriorate significantly in terms of their financial position), the corresponding impairment loss is recorded in the statement of profit or loss.

[ESTIMATE]

A financial impairment is recognized when the book value of an investment exceeds the present value of future cash flows. The calculation of the present value of future cash flows and the decision to consider permanent impairment involves judgment and is dependent of the future projected for the subsidiaries. For the purposes of impairment testing, market prices, if available, or other valuation assumptions are based on information available from subsidiaries. In order to determine whether there is a permanent impairment, Luz Saúde considers the ability and intention to hold the investment for a reasonable period that is sufficient to recover the fair value up to (or above) the balance sheet value, including in the analysis factors such as the expected results of the subsidiary, the economic and regulatory environment, the status of the industry and the market in which they operate.

Investments in subsidiaries can be presented as follows:

	Shares	Equity loans	Loans	Accumulated impairment	Net book value
Acquisition cost					
At 1 January 2022	129 999	299 450	190 288	(94 214)	525 523
Additions	5 750	2 500	19 106	(4 080)	23 276
Decreases	(5 591)	(4 554)	(13 321)	2 250	(21 216)
Transfers	(14)	(597)			(611)
At 31 December 2022	**130 144**	**296 799**	**196 073**	**(96 044)**	**526 972**
At 1 January 2023	130 144	296 799	196 073	(96 044)	526 972
Additions	11	-	12 018	(4 025)	8 004
Decreases	-	(8 780)	(11 800)	-	(20 580)
At 31 December 2023	**130 155**	**288 019**	**196 291**	**(100 069)**	**514 396**
Net book value					
At 31 December 2022	**130 144**	**296 799**	**196 073**	**(96 044)**	**526 972**
At 31 December 2023	**130 155**	**288 019**	**196 291**	**(100 069)**	**514 396**

3.4.1 INVESTMENTS IN SUBSIDIARIES

	Registered office	% of shareholding	Equity interest	Equity loans	Loans	Accumulated impairment	Total 2023	Total 2022
Casas da Cidade - Residências Sénior, SA ("CASAS")	Lisbon	100,00%	200	490	-	-	690	690
Hospital da Luz Oeiras, SA ("HLO")	Oeiras	100,00%	2 250	-	-	-	2 250	2 250
GLSMED Learning Health, SA ("GLSLH")	Lisbon	100,00%	2 050	2 800	215	(3 465)	1 600	2 175
GLSMED Trade, SA ("GLST")	Lisbon	100,00%	2 050	-	-	-	2 050	5 050
HME - Gestão Hospitalar, SA ("HME")	Évora	100,00%	2 149	-	21 567	(17 722)	5 994	5 142
Hospital da Luz Arrábida, SA ("HAG")	V. N. Gaia	100,00%	8 240	-	7 000	-	15 240	12 690
Hospital da Luz Aveiro, SA ("HLA")	Aveiro	95,72%	4 807	-	-	-	4 807	4 805
Hospital da Luz - Centro Clínico da Amadora, SA ("HL-CCA")	Amadora	100,00%	2 100	11 200	-	(9 705)	3 595	3 595
Hospital da Luz Guimarães, SA ("HLG")	Guimarães	100,00%	7 488	8 250	-	-	15 738	17 538
Hospital da Luz, SA ("HLL")	Lisbon	100,00%	3 683	-	-	-	3 683	10 163
HOSPOR - Hospitais Portugueses, SA ("HOSPOR")	Póvoa de Varzim	100,00%	35 450	6 500	35 000	-	76 950	79 750
Luz Saúde - Unidades de Saúde e de Apoio à Terceira Idade, SA ("USATI")	Lisbon	100,00%	41 800	175 200	64 080	-	281 080	281 130
RML - Residência Medicalizada de Loures, SGPS, SA ("RML")	Lisbon	75,00%	5 362	-	-	-	5 362	5 362
SGHL - Sociedade Gestora do Hospital de Loures, SA ("SGHL")	Lisbon	97,99%	3 247	38 179	37 550	(67 537)	11 439	17 389
Surgicare - Unidades de Saúde, SA ("SURGICARE")	Lisbon	100,00%	6 087	19 300	450	-	25 837	25 887
Hospital da Luz Funchal, SA ("HLF")	Funchal	81,67%	3 142	-	15 536	(1 640)	17 038	15 453
Capital Criativo Health Care Investments II, SA ("CCHCI II") (1)	Lisbon	100,00%	50	26 100	14 893	-	41 043	37 903
Total investments in subsidiaries			**130 155**	**288 019**	**196 291**	**(100 069)**	**514 396**	**526 972**

3.4.2 CHANGES IN SUBSIDIARIES

	Equity interest	Equity loans	Loans	Impairment	Total
At 1 January 2023	**130 144**	**296 799**	**196 073**	**(96 044)**	**526 972**
Equity interest addition					
HLA	2	-	-	-	2
HLF	9	-	-	-	9
	11	**-**	**-**	**-**	**11**
Reinforcement / (reimbursement) of loans					
HLL	-	(6 480)	-	-	(6 480)
HLG	-	(1 800)	-	-	(1 800)
SURGICARE	-	(500)	-	-	(500)
CCHCI II	-	-	3 140	-	3 140
HLF	-	-	3 076	-	3 076
HME	-	-	2 802	-	2 802
HAG	-	-	2 550	-	2 550
SURGICARE	-	-	450	-	450
USATI	-	-	(50)	-	(50)
HOSPOR	-	-	(2 800)	-	(2 800)
GLST	-	-	(3 000)	-	(3 000)
SGHL	-	-	(5 950)	-	(5 950)
	-	**(8 780)**	**218**	**-**	**(8 562)**
Impairment losses					
HME	-	-	-	(1 950)	(1 950)
HLF	-	-	-	(1 500)	(1 500)
GLSLH	-	-	-	(575)	(575)
	-	**-**	**-**	**(4 025)**	**(4 025)**
At 31 December 2023	**130 155**	**288 019**	**196 291**	**(100 069)**	**514 396**

3.4.3 IMPAIRMENT OF SUBSIDIARIES

The recoverable amount of investments in subsidiaries (financial instruments and non-current accounts receivables) is tested annually in the last quarter of each financial year, or whenever there is an indication of a possible impairment. The recoverable amount is determined based on the higher between the carried amount of the assets in accordance with the financial information prepared by each subsidiary and its value in use.

The value in use is calculated using discounted cash flows (DCF), considering the historical performance of the business, the market conditions, the future expectations for the development of each business, the time value and the business risks.

For the purposes of the tests, carried out in the last quarter of 2023 and 2022, the company defined a set of assumptions to determine the recoverable amount of the investments made, of which we highlight the following:

Year	Calculation method	Projection period	Pre-tax discount rate	Perpetuity growth rate
2023	DCF	5 years	4.95%	1.8%
2022	DCF	5 years	4.94%	1.8%

The following should be noted:

- Projected cash flows are based on the budgets prepared by the subsidiaries which represent the first year of cash flows for the period under analysis;
- Medium and long-term projected cash flows are based on historical performance and business plans and are extended in perpetuity, whenever applicable;
- The assumptions used in projecting cash flows for each of the cash-generating units are those to which the recoverable amount of the unit is most sensitive;
- The key assumptions used, reflect the past experience and external sources of information; and,
- The growth rate used is in accordance with the long-term expected average growth rate for the market in which the unit operates.

Based on the tests carried out, the company increased its impairment allowance. The details of impairment losses per subsidiary can be presented in the table below:

	2023	2022
SGHL	67 537	67 537
HME	17 722	15 772
HL-CCA	9 705	9 705
GLSLH	3 465	2 890
HLF	1 640	140
	100 069	**96 044**

3.4.4 SUMMARIZED FINANCIAL INFORMATION OF THE MAIN SUBSIDIARIES

Available financial information at 31 December 2023 in respect of the company's main subsidiaries can be presented as follows:

	HAG	HLL	HOSPOR
Summarized net assets			
Current assets	21 059	101 040	26 431
Current liabilities	(22 735)	(80 091)	(30 503)
Current net assets / (liabilities)	**(1 676)**	**20 949**	**(4 072)**
Non-current assets	45 711	198 317	152 518
Shareholder loans	(7 000)	-	(35 000)
Non-current liabilities	(12 767)	(189 750)	(29 025)
Net assets / (liabilities)	**24 268**	**29 516**	**84 421**
Summarized results			
Total revenue	79 042	286 394	116 776
Profit before income tax	11 257	26 062	5 529
Income tax expense	(305)	(4 383)	(770)
Net profit	**10 952**	**21 679**	**4 759**
Summarized cash flows			
Operating cash flow	12 236	47 931	12 301
Investment cash flow	(3 750)	7 375	(4 530)
Financing cash flow	(9 769)	(40 549)	(12 532)
Change in cash and cash equivalents	**(1 283)**	**14 757**	**(4 761)**

4 WORKING CAPITAL

4.1 TRADE AND OTHER RECEIVABLES

[POLICY]

Trade and other receivables classified as current assets have no implicit interest and are presented using the amortized cost method, which attending the maturity of these balances is considered to be similar to the nominal value, less the associated impairment losses.

When collection is expected to occur within a year of the reporting date, they are classified as current assets. Impairment losses are recorded in the statement of profit or loss in accordance with the expectation of default or when there is objective evidence that the company will not collect all the amounts receivable and will be subsequently reversed through the statement of profit or loss, if in a later period there is a decrease in the estimated loss amount.

[ESTIMATE]

Impairment losses related to doubtful receivables are based on the company's assessment of the probability of recovering the receivable balances. This assessment is made based on the ageing of the receivable, the debtor's profile and the deterioration of the credit situation of the debtors. If the financial conditions of debtors deteriorate, impairment losses may be higher than expected.

Trade and other receivable include mainly amounts receivable from the company's subsidiaries in respect of the services rendering, the reimbursement of expenses supported by the company on behalf of the subsidiaries, and interest on shareholders loans granted. The balance can be presented as follows:

	2023	2022
Trade receivables		
Trade receivables	107	87
Trade receivables - related entities (note 4.1.1)	4 810	3 162
Impairment of trade receivables (note 4.1.2)	(89)	(89)
	4 828	**3 160**
Other receivables		
Tax group - related entities (note 4.1.1)	13 021	9 131
Other receivables - related entities (note 4.1.1)	7 884	5 053
State and other public entities (note 4.1.3)	1 237	578
Accrued income	556	559
Other debtors (note 4.1.4)	2 126	2 105
	24 824	**17 426**
Trade and other accounts receivables	**29 652**	**20 586**
From which:		
Trade and other receivables - current	27 657	18 873
Other receivables - non-current	1 995	1 713

Considering the short maturities associated with the balances presented above as current, it is considered that their book value has no significant difference to its fair value.

4.1.1 TRADE AND OTHER RECEIVABLES FROM RELATED PARTIES

	2023				2022			
		Other debtors				Other debtors		
	Trade receivables	Tax group	Other debtors	Total	Trade receivables	Tax group	Other debtors	Total
HLL	454	6 778	-	7 232	245	4 230	-	4 475
USATI	1 157	-	3 413	4 570	671	-	2 026	2 697
HAG	543	3 099	63	3 705	409	2 840	11	3 260
HOSPOR	687	1 215	1 797	3 699	406	1 376	1 424	3 206
HME	80	11	1 083	1 174	102	10	618	730
HLO	84	1 014	-	1 098	40	266	-	306
HLF	93	2	756	851	43	1	371	415
CCHCI II	6	-	669	675	6	-	311	317
HLC	313	325	-	638	263	23	-	286
HLA	269	322	-	591	207	189	-	396
ACE	348	-	-	348	292	-	-	292
HLG	177	116	-	293	142	10	-	152
SURGICARE	274	-	2	276	124	-	-	124
GLST	52	3	89	144	39	85	242	366
GLSLH	75	26	12	113	20	15	42	77
HRM	15	88	-	103	9	8	-	17
HL-CCA	98	3	-	101	51	6	2	59
VLUSITANO	48	18	-	66	26	59	-	85
CASAS	14	1	-	15	14	7	-	21
CRB	15	-	-	15	18	-	-	18
SGHL	8	-	-	8	9	6	-	15
RML	-	-	-	-	26	-	6	32
	4 810	**13 021**	**7 884**	**25 715**	**3 162**	**9 131**	**5 053**	**17 346**

Tax group includes the balances related to income tax payable by the company's subsidiaries that are part of Luz Saúde tax group, regarding the taxable income and autonomous taxation on operations for the year 2023.

4.1.2 IMPAIRMENT OF RECEIVABLES

	2023	2022
At 1 January	89	68
With impact in profit or loss		
Increase	-	21
At 31 December	**89**	**89**

4.1.3 STATE AND OTHER PUBLIC ENTITIES

This item mainly refers to VAT deductible that entitles the company to demand for its reimbursements or that can be used to offset future VAT payable.

4.1.4 OTHER DEBTORS

This item refers mainly to the present value of the financial grant given to Universidade Católica Portuguesa in the amount of €1 995 thousand.

4.2 TRADE AND OTHER PAYABLES

[POLICY]

Trade and other payables include the liabilities regarding the purchase of services in the normal course of the company's operations. If payment is due within a year or less, they are classified as current liabilities, otherwise, they are classified as non-current liabilities. Trade and other payables are initially recognized at their fair value and subsequently measured at amortized cost using the effective interest rate method, which attending to the short maturities of these liabilities are considered to be equal to its nominal value. Gains or losses are recognized in profit or loss when liabilities are derecognized, as well as through the amortization process at the effective interest rate.

	2023	2022
Trade payables		
Trade payables - current	5 882	4 890
	5 882	**4 890**
Other payables		
State and other public entities	94	89
Personnel	3 197	2 600
Other accruals	1 072	790
Other payables	13	117
Tax group - related parties (note 20)	11 018	8 062
Other payables - related parties (note 20)	27	24
	15 421	**11 682**

Attending to the maturities associated with the balances presented above, it is considered that its book value has no material difference to its fair value.

The item of personnel includes the liability for vacation period, vacation allowance and variable remuneration of the Board of Directors executive members and employees.

Other accruals refer essentially to liabilities assumed with the contracting of services related to the company's activity.

The balance tax group – related parties refers to the income tax loss generated in 2023, by the company's subsidiaries that are part of the tax group led by Luz Saúde. This amount will be used by the group to reduce the amount of tax payable, being an estimate that can change with the filling of 2023 income tax returns.

4.3 Other current and non-current assets

	2023	2022
Deferred expenses	2 240	2 171
Advances to suppliers	191	320
	2 431	**2 491**
From which:		
Current	1 282	796
Non-current	1 149	1 695

5 Financing

5.1 Capital management

In the scope of its regular activity, the company manages the group's corporate debt, with the main business units having independent operational treasury management. Company's objectives in relation to capital management are:

- Safeguard of the company's ability to continue operating and thus provide returns for shareholders and benefits for other stakeholders;
- Maintain a solid capital structure to support the development of its activity and of the group it leads;
- Maintain an optimal capital structure that allows the company to reduce the cost of capital.

In order to maintain or adjust the capital structure, the company can adjust the amount of dividends payable to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. Capital ratios are usually measured based on the company's consolidated financial statements.

5.2 Equity

5.2.1 Share capital

Luz Saúde's share capital is represented by 95 542 254 ordinary shares with a nominal value of €1 (31 December 2022: 95 542 254 shares).

As mentioned in note 1 of these financial statements, on the shareholders meeting held on 22 December 2023 it was approved, among others, the following resolutions:

(i) a share capital increase up to a maximum nominal amount of €23 885 563 through the issue of 23 885 563 new ordinary shares with a nominal value of €1 to be paid in cash through an offer of shares for private subscription;

(ii) the admission to trading of the regulated market managed by Euronext Lisbon of all the shares of the company's capital, including the shares to be issued approved.

5.2.2 SHARE PREMIUM

Share premium is related to the share capital increases undertaken by the company in 2004, 2005 and 2006 in the amounts of €12.5 million, €7.5 million and €61.6 million, respectively. During the 2011 financial year, these funds were partially used in the amount of €33.9 million, following a Shareholders Meeting resolution, to cover losses carried forward, leaving a balance of €47.7 million.

In addition, the share capital increase that took place in February 2014, €15.5 million was recorded as share premiums from which €1.4 million were deduced in respect of transaction costs with the share capital increase.

5.2.3 RESERVES AND RETAINED EARNINGS

At 31 December 2023, and 2022 the amount in reserves and retained earnings (which also include the comprehensive income for the year) can be presented as follows:

	2023	2022
Non-distributable reserves		
Legal reserve	7 477	6 656
Other reserves	140 305	124 698
Retained earnings	2 217	(2 276)
Comprehensive income for the year	17 693	20 921
	167 692	**149 999**

5.2.3.1 Non-distributable reserves

The non-distributable reserves include the legal reserve created by allocation of the profit of each financial year.

5.2.3.2 Other reserves

Other reserves relate to the unrestricted reserves created by the allocation of the profit from previous years, available to be distributed to shareholders.

5.2.3.3 Profit allocation

According to the proposal presented and approved at the Shareholders General Meetings held on 26 May 2023 and 27 May 2022, the profit of Luz Saúde, for the year 2022 and 2021, had the following allocation:

	2022 Year-end	2021 Year-end
Legal reserve	821	1 136
Unrestricted reserves	15 607	21 586
Statutory profit allocation	**16 428**	**22 722**

5.2.3.4 Retained earnings

Retained earnings includes, among other, the effectiveness of derivative financial instruments and the result generated in previous years from the purchase and sale of treasury shares held under the stock compensation plan already ended.

5.3 CASH AND CASH EQUIVALENTS

[POLICY]

The amounts included in cash on hand and cash equivalents correspond to the amounts of cash, bank deposits, term deposits and other, maturing in or less than three months of the reporting date and which can be immediately mobilized and with an insignificant risk of change in value.

Bank overdrafts are presented as current loans in liabilities.

	2023	2022
Cash on hand	1	1
Bank deposits	1 899	2 504
	1 900	**2 505**

Considering the short maturities associated with the balances presented above, it is considered that its book value has no material difference to the fair value.

For the purposes of preparing the cash flow statement, cash and cash equivalents is detailed as follows:

	2023	2022
Cash and cash equivalents as presented above	1 900	2 505
Bank overdrafts (note 5.4)	(11 966)	-
Cash and cash equivalents in the statement of cash flow	**(10 066)**	**2 505**

5.4 INTEREST-BEARING LIABILITIES

[POLICY]

Interest-bearing liabilities include mainly the company's credit lines, whether in the form of bank loans, bond loans or commercial paper programs, as well as lease liabilities. These liabilities are recognized at fair value and are subsequently measured at amortized cost, calculated using the effective interest rate method. They are classified in the balance sheet as current or non-current liabilities depending on their maturity, thus, if the debt matures in less than a year, it will be classified as a current liability, if it is more than a year it will be classified as a non-current liability. Derecognition occurs when the obligations arising from the contracts end, namely at the time of settlement. Financial charges are calculated according to the effective interest rate and recorded in the statement of profit or loss, on an accrual basis.

	2023			2022		
	Current	**Non-current**	**Total**	**Current**	**Non-current**	**Total**
Secured						
Commercial paper	13 600	39 150	52 750	27 250	52 750	80 000
Leases	267	118	385	269	349	618
Total secured debt	**13 867**	**39 268**	**53 135**	**27 519**	**53 099**	**80 618**
Unsecured						
Commercial paper	55 400	52 500	107 900	39 574	58 000	97 574
Bank loans	9 946	15 708	25 654	12 218	25 510	37 728
Bond loans	8 218	28 050	36 268	6 722	36 450	43 172
Bank overdraft	11 966	-	11 966	-	-	-
Total unsecured debt	**85 530**	**96 258**	**181 788**	**58 514**	**119 960**	**178 474**
Interest-bearing liabilities	**99 397**	**135 526**	**234 923**	**86 033**	**173 059**	**259 092**

At 31 December 2023, the company has unused credit lines amounting to €40.5 million decomposed in bank overdraft, amounting to €15.5 million and commercial paper program, amounting to €25.0 million.

5.4.1 COMMERCIAL PAPER

[POLICY]

Commercial paper programs that do not have underwriting conditions are classified in current liabilities, although it is expected that the bank responsible for the organization of the program will be able to renew the current balance. Commercial paper programs with a maturity of more than 12 months after the reporting date are classified as non-current, whenever the group has the capacity to control the renewal of current emissions until the maturity of the programs as these have underwritten commitment by the organizer.

The commercial paper financing lines that the company has are the following:

Start date	End date	Subscription underwriting	Program amount	2023	2022
10/02/2011	28/12/2026	Yes	52 750	52 750	80 000
05/05/2020	01/01/2025	Yes	20 000	20 000	15 000
18/05/2016	30/06/2025	Yes	40 000	40 000	40 000
10/08/2018	10/02/2024	Yes	10 500	10 500	10 500
17/03/2017	17/03/2024	No	30 000	7 500	-
06/11/2021	20/03/2024	No	30 000	30 000	32 250
27/12/2023	27/12/2028	Yes	25 000	-	-
				160 750	**177 750**
		Accrued interest and other expenses, net		(100)	(176)
				160 650	**177 574**

The commercial paper program due in 2026 (amounting €52.75 million) is secured by the mortgage of part of the building of Hospital da Luz in Lisbon.

Of the amount used in December 2023, the amount of €30 million, relates to balances with related parties: Hospital da Luz (€18.75 million), Hospital da Luz Aveiro (€3 million), CRB (€ 2.5 million), Vila Lusitano (€2.5 million), Hospital da Luz Oeiras (€2.75 million) and Casas da Cidade (€0.5 million).

5.4.2 BANK LOANS

Start date	End date		2023	2022
31/03/2022	31/03/2025		12 778	15 000
21/11/2019	21/11/2026		6 000	8 000
23/11/2018	23/05/2025		3 434	5 608
22/04/2019	22/04/2025		3 369	6 702
09/10/2017	09/10/2023		-	2 300
			25 581	**37 610**
		Accrued interest and other expenses, net	73	118
			25 654	**37 728**

5.4.3 BOND LOANS

Start date	End date		2023	2022
18/12/2020	18/12/2027		25 500	28 500
14/12/2022	14/12/2025		10 950	15 000
			36 450	**43 500**
		Interests and other related expenses, net	(182)	(328)
			36 268	**43 172**

5.4.4 MATURITY OF THE INTEREST-BEARING LOANS

At 31 December 2023 and 2022, the commercial paper, bond loans, bank loans and bank overdrafts presented the following maturities based on the contracted maturity date:

	2023				2022			
	Commercial paper	**Bank loans**	**Bond loans**	**Bank overdrafts**	**Commercial paper**	**Bank loans**	**Bond loans**	**Banks overdrafts**
Up to 12 months	69 000	9 946	8 218	11 966	66 824	12 218	8 072	-
12-24 months	65 950	13 708	8 550	-	46 600	9 802	8 400	-
24-36 months	25 700	2 000	3 000	-	38 450	13 708	7 200	-
36-48 months	-	-	16 500	-	25 700	2 000	3 000	-
More than 48 months	-	-	-	-	-	-	16 500	-
	160 650	**25 654**	**36 268**	**11 966**	**177 574**	**37 728**	**43 172**	**-**

5.4.5 GUARANTEES

Most of the aforementioned financing lines contain financial constraints / covenants that are common in financing agreements. Typical non-financial constraints included:

- negative pledge provisions, in relation to the lines with the highest value and maturity;
- restrictions on the use of capital resources, acquisitions and disposal of assets;
- *Pari passu* obligations:
- conditions of non-compliance with responsibilities, which include cross-default clauses in relation to companies that are under control or in a group relationship with the respective borrower;
- Change of control provisions that requires that the Fosun group maintains control, direct or indirect, in the company; and,
- Dividend distribution limits.

In terms of real estate guarantees, one of the commercial paper line disclosed above is secured by a mortgage on one of the group's real estate property. The collateral amount is higher than the amount of the contracted line.

5.4.6 FINANCIAL COVENANTS

The company is obliged to comply with financial ratios, established in the financing agreements in force on this date, calculated on the basis of its consolidated accounts, namely:

- Net debt / EBITDA
- Equity to assets
- Debt to equity

At 31 December 2023, the company was not in breach of the contracted covenants. In the consolidated financial statements are disclosed the ratios and the indicative values, as calculated by the company.

5.4.7 LEASES

[POLICY]

Until 31 December 2018, the company classified its leasing operations as finance leases or operating leases, according to their substance and not their legal form, in accordance with the criteria established in IAS 17 - Leases. Operations where the risks and benefits of the ownership of the asset were transferred to the lessee, were classified as finance leases. All other leasing operations were classified as operating leases.

From 1 January 2019 onwards, leasing contracts, began to be recognized both in assets (under right-of-use assets) and in liabilities from the date the underlying asset became available for use by the company. The assets and liabilities arising from a lease are initially measured at the present value of the lease payments. Lease liabilities include the current value of the following lease payments:

- fixed payments (including fixed payments in substance), deducted of leasing incentives;
- variable payments, based on an index or rate;
- expected payments for residual value guarantees;
- exercise value of a purchase option, when the company has reasonable certainty of exercising that option;
- payment of penalties for terminating contracts, as long as the company exercises this option; and
- payments to be made under contract extension options when the company is reasonably certain of exercising that option.

Lease payments are discounted using the interest rate implicit in the lease. If this rate cannot be easily determined, the company's incremental financing rate is used, which is the rate that the lessee would have to pay for obtaining the funds necessary to obtain an asset of a similar value to the right-of-use asset for a similar period, in a similar economic environment, and with similar guarantees.

To determine the incremental financing rate, the company whenever possible, uses the recent financing conditions obtained from third parties, adjusted to reflect changes in financing conditions since the financing was obtained, for contracts lasting up to 7 years.

The company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability value until they come into effect. Adjustments to lease payments based on an index or rate imply a revaluation of the lease liability against the increase in the right-of-use assets.

The lease payments are separated into its acquisition value and its financial component, in which the financial cost is recorded in the statement of profit or loss during the lease period, in order to produce an effective interest rate.

Lease liabilities have the following maturities:

	2023	2022
Less than a year	267	269
Between one to five years	118	349
More than five years	-	-
	385	**618**

6 OTHER ASSETS AND LIABILITIES

6.1 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

[POLICY]

This note includes the equity instruments held by the company related to companies on which has no control or significant influence. These financial assets are measured at fair value through profit or loss when the company holds them without a long-term strategic purpose.

	2023	2022
FCR Capital Criativo IV	1 630	1 859
Iberis Bluetch Fund, FCR, EuVECA	996	888
Explorer Growth Fund V, FCR	987	1 000
Iberis Bluetech Fund III, FCR	972	1 000
FCR C2 R&D Growth VI	966	1 000
Uphill, SA	697	550
HL-Sociedade Gestora do Edifício, SA	612	612
FCT - Fundo compensação do trabalho	19	18
	6 879	**6 927**

6.2 PROVISIONS

[POLICY]

Provisions are recognized when the company (i) has a present, legal or constructive obligation, (ii) it is probable that its payment will be required and (iii) when a reliable estimate of the value of that obligation can be made. When one of these requirements is not met, the company discloses the events as a contingent liability, unless the possibility of an outflow of funds is not remote. Provisions are reviewed at the reporting date and are adjusted to reflect the best estimate at that date. Contingent assets are not recognized in the financial statements but are disclosed when a future economic benefit is probable.

[ESTIMATE]

The company exercises considerable judgment in recognizing and measuring provisions. Judgment is essential to assess the probability that a given process will be successful. Due to the uncertainties inherent in the valuation process, the actual losses may be different from the estimated losses in the provision. These estimates are subject to change as new information about the processes is known. Revisions to the estimates of these losses may affect future earnings.

The provisions caption did not register any movement in 2023.

C FINANCIAL RISK MANAGEMENT

7 FINANCIAL RISK

Luz Saúde main activity is the development and participation in healthcare businesses, the company is largely dependent on the financial structure of its subsidiaries and their ability to generate sufficient cash flow to carry out distribution of dividends, payment of interest, repayment of loans made and payment of the services rendered/ paid by the company.

The company is exposed to the following types of risk as a result of its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note provides information on the company's exposure to each of the aforementioned risks, as well as its goals, procedures and practices for measuring and managing these risks. Further disclosures of a quantitative nature are presented throughout these financial statements.

The identified risks are reviewed regularly to ensure they reflect real market conditions and are consistent with the company's activities.

7.1 CREDIT RISK

Credit risk arises from the possibility that financial losses may occur due to a client's default on contractual obligations with Luz Saúde during its business.

The company's exposure to credit risk is essentially related to the balances receivable from its subsidiaries arising from the company's operating and investment activity, as well as from the liquidity managed within the company's treasury activity.

The following table presents the maximum exposure of the company to credit risk:

	2023	2022
Investments in subsidiaries - loans (note 3.4.1)	196 291	196 073
Trade and other receivables (note 4.1)	26 289	17 902
Other debtors (note 4.1)	2 126	2 105
Receivables	**224 706**	**216 080**
Bank deposits	1 653	2 098
Bank deposits - related entities	246	406
Bank deposits (note 5.3)	**1 899**	**2 504**
	226 605	**218 584**

7.1.1 TRADE RECEIVABLES

Relevant credit risk is limited to transactions with related parties of the company. Monitoring the activity of the subsidiaries by the company's management enables a detailed monitoring of this risk.

7.1.2 BANK DEPOSITS

The breakdown of bank deposits, according to the rating of the financial institutions where the cash is deposited, can be presented as follows (taking as based on Moody's rating observable in the market at 31 December 2023):

	2023	2022
A3	312	422
A2	362	108
Baa2	1 017	406
Ba3	-	1 435
Other	208	133
	1 899	**2 504**

As guideline, the company tries to maintain an alignment between the financial institutions where deposits its cash equivalents, and the financial institutions with credit lines to finance its operations, in order to create a natural hedge to prevent the risk of a potential credit event that may occur at the level of counterparty where the funds are deposited.

7.2 LIQUIDITY RISK

Liquidity risk arises from the possible inability to finance the company’s assets or from meeting the liability contract on the maturity date. The aim is to maintain a satisfactory level of cash flow to meet the financial needs, in the short, medium and long term. To assess overall exposure to this risk, reports are prepared to enable the company to identify occasional treasury shortfalls and activate the measures intended to cover them.

To finance its business, the company has the credit lines referred to in note 5.

The maturity of the financial liabilities will give rise to the following monetary out-flows, based on the remaining period until maturity on the balance sheet date:

	2023						2022
	Bank Loans	Commercial paper	Bond loans	Bank overdrafts	Other liabilities (*)	Total	Total
Under 12 months	9 946	69 000	8 218	11 966	21 687	120 817	104 304
12 to 24 months	13 708	65 950	8 550	-	-	88 208	64 802
24 to 36 months	2 000	25 700	3 000	-	-	30 700	59 358
36 to 48 months	-	-	16 500	-	-	16 500	30 700
48 to 60 months	-	-	-	-	-	-	16 500
Over 60 months		-	-	-	-	-	-
	25 654	**160 650**	**36 268**	**11 966**	**21 687**	**256 225**	**275 664**

(*) Excludes non-financial liabilities, namely provision and deferred tax liabilities.

7.3 MARKET RISK

Market risk refers to the company exposure to changes in market prices, such as foreign exchange rates, interest rates or developments in the capital markets which may affect the company's results and financial position. As the company is not exposed to foreign exchange or capital market risks, the goal of its market risk management policies focus mainly on monitoring changes in interest rates that affect interest-bearing liabilities with floating interest rates.

Part of credit lines contracted by the company are exposed to floating interest rates, given by the market index contracted plus a spread.

In previous years in order to balance the exposure to changes in interest rates, the company has contracted hedging instruments to mitigate the cash flow risk, in order to fix the interest rates of some of the credit lines in use.

Considering the level of financial debt that the company has at 31 December 2023 and considering the effectiveness that these instruments may have (considering the actual level of interest rates), the company will have about 40% of its financial debt exposed to variable interest rate (2022: 44%).

Considering that the company's result is exposed to variations in market interest rates, and for illustrative purposes only, a variation of 100 b.p. in the reference rates and holding all other variables constant would result in an impact on the result before tax, on an annual basis, of approximately:

	2023	2022
Impact of interest rate variation by 100 b.p. in income before tax	933	1 126

An overall reform of the main interest rate benchmarks is underway, which will replace some benchmarks, including Euribor, for alternative risk-free rates. The company presents exposures to Euribor variations in its financial instruments that will be impacted by this reform. There is currently uncertainty about the timing and methods associated with the transition of interest rate benchmarks. The company, presently, does not expect a significant impact on its risk management policies and on the effects of hedge accounting.

The company will assess and analyze the potential impacts of the potential change from Euribor when the timings and the respective methods of change become effective, and particularly the designated interest rate risk hedging relationships.

8 FINANCIAL INSTRUMENTS BY CATEGORY

	2023	2022
Financial assets		
At amortized cost		
Loans to subsidiaries (note 3.4.1)	196 291	196 073
Trade and other receivables (note 4.1)	28 415	20 008
Bank deposits (note 5.3)	1 899	2 504
Derivative financial instruments		
Used for hedging (note 9)	2 140	4 327
At fair value through profit or loss		
Financial assets at fair value through profit or loss (note 6.1)	6 879	6 927
	235 624	**229 839**
Financial liabilities		
At amortized cost		
Trade payables (note 4.2)	5 882	4 890
Other payables (note 4.2)	15 421	11 682
Borrowings and bank overdrafts (note 5.4)	234 538	258 474
Lease liabilities (note 5.4)	385	618
	256 226	**275 664**

The hierarchy for the purposes of assessing fair value has the following levels and bases of measurement:

- Level 1 - quotes from active liquid markets and to which the group has access at the reporting date;
- Level 2 - generally accepted valuation models based on observable market inputs;
- Level 3 - valuation models, that the main inputs are not observable in the market.

Regarding the group's financial instruments classified as level 2 (note 9), the fair value was determined by bank entities based on inputs observable in the market and used in generally accepted valuation models and techniques.

Regarding financial instruments classified as level 3 (note 6.1), the fair value in the case of Investment funds (which represent more than 80% of the caption financial assets at fair value through profit or loss) was determined based on the valuation of PU's disclosed by the management entities of the funds in the latest financial statements available. For this purpose, investments made by these investment funds held for less than 12 months are measured at their acquisition cost (which is assumed to be similar to fair value), and in the case of investments held for more than 12 months at its fair value determined by the rules defined by CMVM, with valuations depending on factors such as investment profitability, market financing conditions, growth projections or multiples of similar transactions. Regarding participation in equity instruments from non-regulated entities, the estimated value is given by their acquisition value.

9 DERIVATIVE FINANCIAL INSTRUMENTS

[POLICY]

Derivative financial instruments are recognized on the contract date at their fair value, which is assumed to be equal to their acquisition cost on the contract date. Subsequently, the fair value of derivative financial instruments is remeasured on each reporting date, with the gains or losses resulting from this remeasurement being recorded directly in the statement of profit or loss, except with respect to the effects relating to cash flow hedging derivatives.

The company uses financial instruments to hedge the interest rate risk resulting from its financing activity. Derivatives that do not qualify as hedging within the scope of IFRS 9 are recorded as trading. Cash flow hedging derivatives are recorded at fair value and insofar as changes in fair value are effective for hedging purposes, they are recognized in the statement of other comprehensive income. Changes in fair value that are not considered to be hedging, as they are considered inefficient in whole or in part, are immediately recognized in the statement of profit or loss. The amounts accumulated in reserves are reclassified to results in the periods when the hedged item affects results.

The fair value of the hedging derivative is classified as a non-current asset or liability when the maturity of the hedged operation is greater than 12 months, and as a current asset or liability when the maturity of the hedged operation is less than 12 months.

In assessing the existence of an economic relationship between the hedged instruments and the hedging instruments, the company assumes that the interest rate benchmark (Euribor) will not be changed following the reform of the interest rate benchmarks as permitted by the changes to IAS 39, IFRS 7 and IFRS 9 related to the reform of the interest rate benchmarks.

The aforementioned policy is applicable to all hedging relationships designated as of 31 December 2023.

The company will cease to apply the above policy when:

(i) the uncertainty regarding the reform of the interest rate benchmarks with respect to Euribor ceasing; or

(ii) the respective hedging relationship is discontinued.

The company uses derivative financial instruments to hedge interest rate risks affecting the value of the expected future cash flows. The hedged risk is the change in the index that the floating rate incorporates, being applicable to all the company's credit lines.

The fair value of these instruments have been determined by banking entities based on observable inputs on the market and used in valuation models generally accepted (Level 2), can be presented as follows:

	2023	2022
Interest rate swap contracts - cash flow hedges	2 140	4 327
Interest rate swap contracts - held for trading	-	-
Total	**2 140**	**4 327**

The detail of fair value per contract can be presented as follows:

Covered instrument	Notional	Beginning date	Ending date	Fair value 2023	Fair value 2022
Commercial paper	52 750	25/11/2015	28/12/2026	2 140	4 327
				2 140	**4 327**

Trading derivatives are classified in current assets or current liabilities according to their fair value at the reporting date.

The notional interest rate swap contract outstanding on 31 December 2023 amounted to €52.75 million (2022: €80 million), all of which are considered as cash flow hedges.

The contract gives rise to the recognition of a change in fair value net of income tax in company's statement of other comprehensive income in 2023 arising from the part considered as efficient for hedging purposes of approximately €1 729 thousand, negative (2022: €4 493 thousand, positive).

In respect of the changes in fair value, considered not to be effective for hedging purposes, in 2023 no value impacted the statement of profit or loss, (2022: €1 086 thousand, interest gain).

Regarding the interests in 2023, it was recognized a gain on the profit or loss in the finance income caption of €1 819 thousand (2022: €754 thousand, interest loss recognized in the caption finance cost).

D PERFORMANCE IN 2023

10 REVENUE FROM SERVICES RENDERED

[POLICY]

Revenue or income is recognized whenever economic benefits are likely to flow to the company and can be estimated reliably, being recorded with reference to the stage of completion of the transaction at the reporting date, based on the activity produced in the period, valued according to the established agreements, regardless of the time of their actual billing.

The amount of revenue for services rendered comes entirely from services rendered direct and indirectly to Luz Saúde's subsidiaries, in the areas of marketing, financial, tax, legal and business and strategy development, according to the group business segments:

	2023	2022
Revenue from services rendered to related entities		
Private segment	5 048	3 874
Corporate center segment	639	701
Other segment	162	200
HBA	23	23
	5 872	**4 798**
Revenue from services rendered to non-related entities		
Other services	14	-
	5 886	**4 798**
Revenue based on timing of recognition		
At a point in time	-	-
Over time	5 886	4 798
	5 886	**4 798**

The increase in revenue from the private segment, results from the increase in services provided in terms of the use of software owned by the company.

11 OTHER OPERATING INCOME

In 2022 this caption includes essentially the gain originated in the sale of the shares in the subsidiary Casas Carnaxide in the amount of €0.67 million. The sale of this subsidiary was completed in September 2022 by the total amount of €7.25 million.

12 MATERIALS AND SERVICES CONSUMED

	2023	2022
Specialized work	1 854	894
Marketing	820	246
Professional fees	226	189
Maintenance and repair	127	145
Other materials and services consumed	676	620
	3 703	**2 094**

The increase in this caption is mainly due to the increase in the items specialized work (explained by the increase in consultancy, IT and legal fees) and marketing.

13 PERSONNEL EXPENSES

[POLICY]

Personnel expenses are recognized in the statement of profit or loss in the period in which employees acquire the rights, regardless of the date of their payment. The responsibility is recognized in liabilities under the caption other accounts payable, namely:

- Vacation and vacation allowance: According to the Portuguese legislation, employees are entitled to one month of vacation and one month of vacation allowance, a right acquired in the year prior to their payment;
- Variable remuneration: Through the performance evaluation system in place, employees may receive a bonus if they meet certain objectives on an individual and collective basis, a right usually acquired in the year prior to their payment.

[ESTIMATE]

The company recognizes on a monthly basis, an estimate for bonuses that considers the objectives agreed with employees and executive members of the Board of Directors, the achievement of those objectives and the overall status of the company's activity. Current expense estimate is recorded under other payable in the balance sheet, being prepared based on management's best estimate, based on the performance of the current year. Final value to be paid is only known in the following year.

Personnel expenses can be presented as follows:

	2023	2022
Corporate body remunerations	2 085	1 672
Personnel wages and salaries	998	971
Payroll related expenses	409	348
Other personnel expenses	73	151
	3 565	**3 142**

The average number of company employees in 2023 was 9 (2022: 9).

The fees agreed with the statutory auditor for the year 2023, can be presented as follows:

	2023	2022
Statutory audit	56	44
Other assurance services	507	54
	563	**98**

The statutory audit fees presented for the legal review of the annual accounts correspond to the contracted amounts. The remaining amounts refer to the amounts invoiced.

14 FINANCE INCOME

[POLICY]

The company classifies dividends received, interest and financial discounts obtained from third parties as finance income, being these revenues recognized in the year to which they relate.

Finance income is recognized in the statement of profit or loss on an accrual basis during the period to which they relate. Dividends are recognized when the right to receive is established.

	2023	2022
Dividends (note 14.1)	28 264	20 366
Interest from loans to subsidiaries (note 14.2)	7 885	5 048
Interest from derivative financial instruments (note 9)	1 819	-
Other interests	251	272
Gains from derivative financial instruments (note 9)	-	1 086
	38 219	**26 772**

14.1 DIVIDENDS

The amount of dividends received has the following detail:

	2023	2022
HLL	12 168	8 387
HAG	7 966	9 129
HLA	6 366	-
HLO	1 350	1 750
GLST	414	1 100
	28 264	**20 366**

14.2 INTEREST FROM LOANS TO SUBSIDIARIES

The amount of interest from loans to subsidiaries can be detailed as follows:

	2023	2022
USATI	3 414	2 024
HOSPOR	1 797	1 424
HME	1 083	608
HLF	756	371
CCHCI II	669	311
GLST	89	242
HAG	63	11
GLSLE	12	42
SURGICARE	2	-
CASAS CARNAXIDE	-	12
HL-CCA	-	2
RML	-	1
	7 885	**5 048**

15 FINANCE COST

[POLICY]

Finance costs include interest incurred and other bank expenses and are recognized in the year to which they relate, using the amortized interest cost method, thus the initial costs of assembly, commissions and stamp tax incurred with medium and long-term loans are deferred over the expected term of the loans and recognized based on the capital utilization. Finance costs are recognized in the statement of profit or loss on an accrual basis during the period to which they relate.

	2023	2022
Interest from commercial paper	7 886	3 383
Interest from derivative financial instruments (note 9)	-	754
Interest from loans	874	1 078
Interest from bond loans	1 073	522
Other finance expenses	1 048	1 145
	10 881	**6 882**

Other finance expenses mainly include costs incurred with financing agreements entered by the company.

Interest from commercial paper and from bond loans includes an amount of €5.9 million related to interest paid to related parties (note 20).

16 INCOME TAX

[POLICY]

Income tax for the financial period is recognized according to IAS 12 – Income Taxes and includes both current and deferred tax. Taxes on profits are recognized in the statement of profit or loss, except when related to items directly recognized in equity, in which case they are also reported in equity.

Current taxes are those expected to be paid based on taxable income, calculated according to the tax laws in force and the tax rate approved or substantially approved.

Deferred taxes are calculated according to the liability method based on the reporting date, on temporary differences between the book values of the assets and liabilities, and their tax base, using the tax rates approved or substantially approved at the reporting date and that are expected to be applied when the temporary differences are reversed. Deferred tax assets are recognized only to the extent that it is expected that there will be taxable profits in the future, to use the temporary differences.

Luz Saúde is taxed according to the special tax regime for groups of companies (RETGS), which covers all entities in which the parent company of the tax group, Luz Saúde participates, directly or indirectly, in at least 75% of the investee share capital and, provided that they comply with the requirements of the Corporate Income Tax Code (CIRC).

Current tax is determined based on the accounting profit adjusted in accordance with the tax legislation in force. Currently, entities resident in mainland Portugal are subject to Income Tax at a rate of 21%, plus a municipal surcharge of up to a maximum of 1.5% on taxable profit, and a state surcharge of 3% applicable to taxable profit between €1.5 million and €7.5 million, 5% applicable to taxable profit between €7.5 million and €35 million, and 9% applicable to taxable profit in excess of €35 million.

The payment of income tax is made on the basis of self-assessment returns that are subject to inspections and eventual adjustment by the tax authorities during the period of four years from the year to which they relate.

Tax losses for a given year, which are also subject to inspection and adjustment for a period of four to ten years, and can be used against tax profits of future fiscal years, without time limitation. From 2014 until 31 December 2022, the deduction of taxable losses is capped at 70% of the taxable profit assessed in the tax year in which the taxable losses are used. Said cap is increased by 10b.p. on taxable losses assessed in the years of 2020 and 2021. For tax periods beginning on or after 1 January 2023, the annual limit for the deduction of tax losses was reduced to 65%. This change applies to the deduction of losses from taxable profits for tax periods beginning on or after 1 January 2023, as well as to tax losses from tax periods prior to 1 January 2023, for which the deduction period is still in progress.

[ESTIMATE]

The calculation of income tax and deferred tax amounts requires certain interpretations and estimates. There are several transactions and calculations for which the determination of the final amount of income tax payable is uncertain during the normal business cycle. Other interpretations and estimates could result in a different level of income tax recognized in the period.

Additionally, the Portuguese Tax Authorities are responsible for reviewing the calculation of the taxable income made by the company over a period of four, to ten years in the event of reportable tax losses (five years for Social Security). Thus, it is possible that may be adjustments to the tax returns, mainly resulting from differences in the interpretation of tax legislation. However, the Board of Directors believes that there will be no significant adjustments to income tax recorded in the financial statements.

16.1 CORPORATE INCOME TAX IN THE STATEMENT OF PROFIT OR LOSS

The income tax in the statement of comprehensive income can be presented as follows:

	2023	2022
Current tax	1 131	(30)
Tax from previous years	106	193
Deferred tax	56	3 384
Total income tax in the statement of profit or loss	**1 293**	**3 547**

16.2 RECONCILIATION OF THE EFFECTIVE INCOME TAX RATE

	2023	2022
Profit for the year	19 422	16 428
Income tax expense	(1 293)	(3 547)
Profit before income tax	**18 129**	**12 881**
Tax rate	21,00%	21,00%
	(3 807)	**(2 705)**
Untaxed dividends	5 935	4 277
R&D tax incentive (SIFIDE)	-	2 475
Tax from previous years	106	193
Impairment from financial investments	(845)	(857)
Autonomous taxes	(51)	(30)
Other less relevant items, net	(45)	194
	1 293	**3 547**

Luz Saúde as the parent company of a tax group, has recorded in its assets and liabilities the amounts of tax payable/ receivable calculated on a stand alone basis by the entities that are included in the tax group.

The parent company is responsible for performing the payments on account, additional payments on account and special payment on account, as well as the global calculation and self-assessment of income tax.

16.3 RECONCILIATION OF CURRENT TAX IN THE STATEMENT OF PROFIT OR LOSS WITH THE TAX ON THE BALANCE SHEET

	2023	2022
Current tax on the statement of profit or loss of the company	1 131	(30)
Liability in respect of companies that are part of the tax group	(508)	(282)
Payments on account and withholding tax	1 715	2 344
Current income tax on the balance sheet	**2 338**	**2 032**

16.4 MOVEMENT IN DEFERRED TAX

	2022	Recognized in the profit or loss	Without effect in the profit or loss	Recognized in OCI	2023
Deferred tax assets					
Impairment on financial investments	2 195	-	-	-	2 195
Tax losses carried forward	-	1 182	(1 182)	-	-
Tax incentives	2 475	-	-	-	2 475
Other	473	56	-	-	529
	5 143	**1 238**	**(1 182)**	**-**	**5 199**
Deferred tax liabilities					
Derivatives fair-value	(678)	-	-	460	(218)
	(678)	**-**	**-**	**460**	**(218)**
	4 465	**1 238**	**(1 182)**	**460**	**4 981**

	2021	Recognized in the profit or loss	Without effect in the profit or loss	Recognized in OCI	2022
Deferred tax assets					
Impairment on financial investments	2 195	-	-		2 195
Tax losses carried forward	1 069	761	(1 830)		-
Tax incentives	-	2 475	-		2 475
Derivatives fair-value	517	-	-	(517)	-
Other	325	148	-		473
	4 106	**3 384**	**(1 830)**	**(517)**	**5 143**
Deferred tax liabilities					
Derivatives fair-value	-	-		(678)	(678)
	-	-	-	**(678)**	**(678)**
	4 106	**3 384**	**(1 830)**	**(1 195)**	**4 465**

16.5 OECD MODEL RULES – PILLAR TWO

Fosun group complies with the application requirements of European Directive 2022/2523 of 15 December 2022, usually referred to as Pillar Two. Consequently, the company is also obliged to comply with the requirements of said legislation.

The date of enactment of the legislation is quite recent, its application is dependent on the transposition, still in progress, of the measures of the Directive by the Portuguese State into national legislation, and the adoption by the group is dependent of the instructions of the group in which the company is included. As such, the company together with Fosun group and the group's tax representative in Portuguese territory (Longrun SGPS, SA), are currently evaluating the impacts that the legislative change may have, and as such the adoption of the normative had no material impact on the preparation of these financial statements, and the group has no known tax exposure related to this matter.

The group applies the exception to recognizing and disclosing information about deferred tax assets and liabilities related to Pillar Two - Income Taxes, as provided in the amendments to IAS 12.

17 CASH FLOW ADDITIONAL INFORMATION

17.1 RECEIPTS FROM COSTUMERS

This caption includes not only the amounts received for the service rendered by the company, but also the amounts of recharged expenses invoiced by the company to its subsidiaries for expenses incurred on their behalf (2023: €15.3 million; 2022: €11.7 million, excluding VAT in both years).

17.2 PAYMENTS TO SUPPLIERS

This caption includes the amounts paid for services rendered to the company in the course of its regular operation and the amounts to be reimbursed by its subsidiaries for expenses incurred on their behalf.

17.3 PROCEEDS FROM EQUITY INSTRUMENTS IN INVESTEES

In 2023, this caption mainly includes the reimbursement of equity loans amounting to €8.8 million.

In 2022, includes the amounts received related to: (i) the sale of shares in Casas da Cidade Carnaxide (note 11) (€7.1 million) and Genomed (€53 thousand) (ii) the reimbursement of equity loans in the amount of €1.6 million and (iii) the amount of €0.1 million related to equity reimbursement made by IBERIS BLUETECH, FCR, EuVECA fund.

17.4 PAYMENTS RELATED WITH EQUITY INSTRUMENTS IN INVESTEES

Includes the amounts invested by the company in equity instruments (shares and equity loans) of its subsidiaries.

17.5 PAYMENTS RELATED WITH OTHER FINANCIAL ASSETS

In 2023, includes the investment made in the investee Uphill, SA. In 2022 includes the amounts invested in the acquisition of units of three investment funds that invest in research and development projects (note 6.1).

17.6 PROCEEDS AND PAYMENTS FROM BORROWINGS

Includes the amounts of new financing obtained, repayments of financing lines, and the commercial paper emissions made under active commercial paper programs.

17.7 FINANCING PROCEEDS AND PAYMENTS FROM RELATED PARTIES

Includes the commercial paper issued by the company and subscribed by the company's subsidiaries, as part of the current treasury management process.

E OTHER INFORMATION

18 DISPUTES AND CONTINGENT LIABILITIES

18.1 DISPUTES

- In July 2022, the Portuguese Competition Authority (PCA) condemned the Portuguese Association of Private Hospitalization (APHP) and some of its associates, including Luz Saúde, for an alleged concerted practice, restricting competition, in the contracting of hospital health services by the public health subsystem Instituto de Proteção e Assistência na Doença, I.P. (ADSE), between 2014 and 2019. The sanction decision resulted in a total fine of c.a. €191 million, of which Luz Saúde was fined €66,2 million. Luz Saúde's Board of Directors believes that it has not committed any infringement of competition law, and therefore, supported by its Legal and Compliance Department and respective external legal advisors, has appealed the referred decision. The Board of Directors of Luz Saúde believes that the decision of PCA will eventually be reversed, given that the negotiation process with ADSE, in question in the final decision of PCA, reflected only the methodology adopted for those negotiations which, at the request of ADSE itself, was agreed between ADSE and APHP, on behalf of its members, not questioning the guiding principles and rules of competition law. In a scenario, although not expected in which the appeal filed by Luz Saúde does not have the expected result, the maintenance of the conviction by the PCA could negatively affect the group in the amount disclosed above, or in any other that may be determined by the Court, following the appeal filed by Luz Saúde. The company presented 100% of the shares of its subsidiary, Hospital da Luz Oeiras, SA, as collateral to suspend the legal requirement to pay the fine.
- Following an inspection, PTA questioned the calculation of the tax benefits considered by two subsidiaries for the years 2013 and 2014 and identified corrections in the amounts of €0.3 million and €0.5 million thousand, respectively. Subsequently, Luz Saúde received a tax assessment of a tax act from the PTA revoking the corrections made. On 31 December 2023 the amount in dispute regarding these processes amounts to c.a. €0.4 million. Management, based on the understanding of its legal and tax consultants, understands that the amounts considered are in accordance with what is prescribed by law and consequently maintained the challenge regarding all the corrections made by the PTA.

18.2 CONTINGENT LIABILITIES

- In the company's Shareholders General Meeting held on 22 January 2014 and considering the continuous management positions held for nearly 15 years by Isabel Maria Pereira Aníbal Vaz, in addition to her role in the promotion of the group's business development, an award of €850 thousand to the latter was approved in recognition of professional services rendered to the group. This amount will be paid in one lump sum at the time Isabel Maria Pereira Aníbal Vaz terminates her role as member of the company's Board of Directors, for any reason outside her responsibility. The payment of the proposed award is autonomous and is not intended to substitute any monetary compensations that may be legally or contractually due because of the termination of corporate management positions by Isabel Maria Pereira Aníbal Vaz, including in the company, whatever the cause and the moment of termination thereof.

19 GUARANTEES

In 31 December 2023 the company had a bank guarantee provided to the Portuguese Tax Authorities in the total amount of €0.4 million (2022: €0.4 million).

One of the commercial paper agreements are entered into, both by the company and one of its subsidiaries, and therefore there is joint responsibility for the payment of amounts used by any of the parties under those programs. On 31 December 2023, the program, respective issuers and amounts used by the subsidiary, were the following:

	Amount used by the subsidiary	Total amount used
Luz Saúde	-	10 500
	-	**10 500**

Additionally, the following guarantees were granted to subsidiaries:

- Some loans contracted by the subsidiaries include control clauses by Luz Saúde, under which banks may request the early repayment of their loans, but there are no financial obligations on the part of Luz Saúde;
- The company is guarantor in most of the leasing agreements entered by its subsidiaries.
- The shares of the subsidiary HLO were presented as guarantee of payment of amounts related to an ongoing litigation

20 RELATED PARTIES

20.1 SHAREHOLDER STRUCTURE

Luz Saúde is controlled by Fidelidade with an ownership of 99.86%

Fidelidade is held at 84.99% by Longrun Portugal, SGPS, SA, which is 100% owned by Millennium Gain Limited, based on Hong Kong. Millennium Gain Limited is 100% owned by Fosun Financial Holdings Limited (Hong Kong), which is 100% owned by Fosun International Limited, a company listed on the Hong Kong Stock Exchange (00656.HK). Fosun International Limited is held at 73.42% by Fosun Holdings Limited, which is owned by Fosun International Holdings, Ltd. at 100%, whose ultimate beneficial owner is Mr. Guo Guangchang.

20.2 CORPORATE BODY REMUNERATIONS

The amounts referring to the remuneration of the Corporate Bodies of the company are summarized as following:

	2023	2022
General Meeting	17	17
Supervisory Board	51	51
Board of Directors	1 424	1 324
	1 492	**1 392**

20.3 RELATED PARTY TRANSACTIONS

	2023			2022		
	Luz Saúde Group	Shareholders	Other related parties	Luz Saúde Group	Shareholders	Other related parties
Revenue from services rendered (note 10)	5 872	-	-	4 798	-	-
Costs of services and materials	-	129	-	-	67	-
Personnel expenses	-	6	-	-	10	-
Finance cost (note 15)	1 110	-	4 765	333	-	3 557
Financial income (note 14)	36 149	-	1 819	25 414	-	1 086
	43 131	**135**	**6 584**	**30 545**	**77**	**4 643**

20.4 RELATED PARTY BALANCES

	2023			2022		
	Luz Saúde Group	Shareholders	Other related parties	Luz Saúde Group	Shareholders	Other related parties
Trade and other receivables (note 4.1)	25 715	-	-	17 346	-	-
Bank deposits	-	-	245	-	-	406
Other payables (note 4.2)	11 045	-	-	8 086	-	-
Borrowings (note 5.4)	30 050	-	89 979	32 256	-	108 165
	66 810	**-**	**90 224**	**57 688**	**-**	**108 571**

20.5 TERMS AND CONDITIONS

The amounts presented under revenue from services rendered refer mostly to the rendering of services by Luz Saúde to its subsidiaries, at normal market prices.

The amounts recorded in expenses refer to the normal activity of the group, related with insurance and other services used by Luz Saúde, which are acquired at market prices on an arm's length basis.

21 MAIN ACCOUNTING POLICIES

The material accounting policies are described in the notes to these financial statements. The accounting policies presented were applied consistently in all periods covered by these financial statements.

21.1 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

The financial statements have been prepared on a going concern basis from the company's accounting records and based on historical cost, pursuant to International Financial Reporting Standards ("IFRS"), as adopted by the European Union on 31 December 2023, modified by the application of the fair value to derivative financial instruments and financial assets at fair value through profit or loss.

These standards include both the IFRS issued by the International Accounting Standards Board ("IASB") and the International Accounting Standards ("IAS") issued by the International Accounting Standards Committee ("IASC") and their respective interpretations – IFRIC and SIC, respectively issued by the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee ("SIC"). These standards and interpretations are together known as IFRS.

The financial statements are presented in thousands of euros rounded to the nearest thousand except otherwise stated. Euro is the functional and presentation currency.

21.2 CHANGES IN ACCOUNTING POLICIES

During 2023, accounting standards and interpretation were approved and published in the Official Journal of the European Union, with application in subsequent years, although their early adoption is permitted. Below, we briefly present the standards or changes adopted by the company in the preparation of its financial statements, as well as the standards not early adopted.

21.2.1 NEW STANDARDS, AMENDMENTS, OR INTERPRETATIONS APPLICABLE TO FINANCIAL YEARS BEGINNING ON OR AFTER 1 JANUARY 2023

Resulting from the endorsement by the European Union (EU), the following new standards, amendments, changes and improvements to the Standards and Interpretations occurred, with effect from 1 January 2023, which, when applicable, were adopted by the company:

Issued (IASB)	IASB Standard or IFRIC Interpretation	Mandatory application in the financial years beginning on or after
June 2020	IFRS 17: Insurance Contracts (new) - including amendments on June 2020	1 January 2023
February 2021	IAS 8: Accounting policies, changes in accounting estimates and errors: definition of accounting estimates (amendments)	1 January 2023
February 2021	IAS 1: Presentation of financial statements and IFRS practice statement 2: Disclosure of accounting policies (amendments)	1 January 2023
May 2021	IAS 12: Income Taxes: Deferred tax related to assets and liabilities arising from a single transaction (amendments)	1 January 2023
December 2021	IFRS 17: Insurance contracts: Initial application of IFRS 17 and IFRS 9 – Comparative information (amendments)	1 January 2023
May 2023	IAS 12: Income taxes: International tax reform – Pillar two model rules (amendments)	Immediately and 1 January 2023

The adoption of these amendments to the standards had no significant impact on the company's financial statements.

Regarding IAS 12: Income taxes: International reform – Pilar two model rules amendment, additional information is presented in note 16.5

21.2.2 New standards, amendments and interpretations issued by the IASB, endorsed by the European Union (EU), with application to the periods starting after 1 January 2024

At the date of approval of these financial statements, the following standards, interpretations and amendments to the standards and interpretations issued by the IASB was already endorsed by the EU, however their application is only mandatory for the years beginning after 1 January 2024.

Issued (IASB)	IASB Standard or IFRIC Interpretation	Mandatory application in the financial years beginning on or after
January and July 2020 and October 2022	IAS 1: Presentation of financial statements - Classification of liabilities as current or non-current; Classification of liabilities as current or non-current - deferral of effective date; Non-current liabilities with covenants (amendments)	1 January 2024
September 2022	IFRS 16: Leases – Lease Liability in a sale and leaseback (amendments)	1 January 2024

The company did not carry out the early adoption of the aforementioned amendment, and do not expect significant impacts on the financial statements resulting from their adoption.

21.2.3 New standards, amendments and interpretations issued by the IASB and not endorsed by the European Union (EU) by 31 December 2023

At the date of approval of these financial statements, the following standards, revisions, amendments and improvements to the Standards and Interpretations, issued by the IASB were still pending approval by the EU:

Issued (IASB)	IASB Standard or IFRIC Interpretation	Mandatory application in the financial years beginning on or after
May 2023	IAS 7: Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements (amendments)	1 January 2024
August 2023	IAS 21: The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability (amendments)	1 January 2025

The impact of the adoption of these amendments is currently under analysis by the company, however, no material impacts are expected to the financial statements.

21.3 ESTIMATES AND JUDGMENTS USED IN THE PREPARATION OF THE FINANCIAL STATEMENTS

IFRS establish a series of accounting treatments and require the Board of Directors to make the necessary judgments, estimates and decide which accounting treatment is the most appropriate to the company's operations. Thus, the main accounting estimates and judgments used in the preparation of these financial statements are presented throughout the following notes, namely:

- Impairment of investments in subsidiaries and associates (note 3.4.3)
- Recoverability of deferred tax assets (note16)
- Impairment of accounts receivables (note 4.1.2)

Considering that in many situations there are alternatives to the accounting treatment adopted by the Board of Directors, the financial position and results reported by the company could be different if a different treatment was adopted. The Board of Directors considers that the choices made are appropriate and that the financial statements adequately present the company's financial position, results and cash flows from its operations in all materially relevant aspects.

21.4 COMPARABILITY

The individual financial statements are comparable in all material respects to the comparatives for the year ended 31 December 2022.

21.5 PROPERTY, PLANT AND EQUIPMENT

21.5.1 RECOGNITION AND VALUATION

Tangible assets are valued at cost less the respective accumulated depreciations and impairment losses.

Acquisition/ construction costs include the invoice price, transport and instalment costs, financing costs and other related expenses, occurring during the construction period, as well as indirect costs attributable to it during the construction period.

Subsequent expenses with property, plant and equipment are only recognized if the company is likely to obtain economic benefits in the future. All ongoing maintenance and repair expenses are recognized in the profit or loss when incurred, on an accrual basis.

When there is indication that an asset may be impaired, IAS 36 requires its recoverable amount to be estimated and an impairment loss recognized whenever the book value of an asset exceeds its recoverable amount. Impairment losses are recognized in the statement of profit or loss.

The recoverable amount is determined as the higher of the sale value of the asset, less any expenses related with the sale and its value in use, which is calculated based on the current value of the estimated future cash flows expected to obtain from the continued use of the asset and its disposal at the end of its useful life.

Gains or losses arising from the write-off or disposal of property, plant and equipment are measured as the difference between the asset's sale price, less transaction costs, and the asset's carrying value. They are recorded in the statement of profit or loss under the caption other operating income and gains or other operating expenses.

Property, plant and equipment in progress represent tangible assets that are still being constructed or installed and are recorded at acquisition cost. Depreciation of these assets begins in the month they become available for use for their intended purpose.

21.5.2 DEPRECIATION

Depreciation of tangible assets is calculated using the straight-line method, from the month the assets are available for use. The depreciation rates used reflect, on average, the estimated useful lives of the assets:

	Years
Administrative equipment	3-8
Other tangible assets	3-8

Depreciation ceases when the assets are classified as assets held for sale.

21.6 INTANGIBLE ASSETS

Intangible assets are recognized at the acquisition cost less accumulated amortization and impairment losses, when applicable. Intangible assets are recognized only when it is likely Luz Saúde will obtain economic benefits in the future that can be reliably measured. Intangible assets with a definite useful life are amortized using the straight-line method from the month they become available for use and over the life of the asset. Intangible assets with undetermined useful lives (goodwill) are not amortized but are tested for impairment in the last quarter of each financial year or whenever there is an indicator of impairment.

21.7 FINANCIAL INVESTMENTS IN SUBSIDIARIES

Financial investments in subsidiaries are presented at their acquisition cost less impairment losses, when applicable.

21.8 FINANCIAL INSTRUMENTS

Financial assets and liabilities are recognized in the individual balance sheet when the company becomes part of the corresponding contractual provisions. A financial asset is any asset that is cash, a contractual right to receive cash or an equity instrument from another entity. A financial liability is a liability that is embodied in a contractual obligation to deliver money.

As financial assets, the company presents in the consolidated balance sheet the captions trade receivables and other receivables, financial assets at fair value through profit or loss, derivative financial instruments, other assets and bank deposits. The company's financial liabilities are presented under trade payables, loans, lease liabilities and other payables.

21.8.1 FINANCIAL ASSETS

21.8.1.1 Initial recognition and measurement

The company initially measures a financial asset at its fair value plus transaction costs, the other receivables and trade receivables are measured at the transaction price determined under IFRS 15, that is similar to the fair value at the transaction date.

21.8.1.2 Subsequent measurement

The subsequent measurement of financial assets depends on their classification, the following categories are being used:

(i) Financial assets at amortized cost;

(ii) Financial assets at fair value through profit or loss;

(iii) Financial assets at fair value through other comprehensive income (OCI).

The company financial assets includes financial assets at amortized cost (trade receivables, other receivables and cash) and financial assets at fair value through profit or loss. The company doesn't hold any financial assets at fair value through other comprehensive income.

Financial assets at amortized cost

A financial asset is measured at amortized cost, when both of the following criteria are met (i) the asset is held under a business model with the objective of holding financial instruments to obtain contractual cash flows, and (ii) the asset has cash flows that are 'only capital repayments and interest payments ("Solely Payments of Principal and Interest" or "SPPI") over the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest rate method and are subject to impairment tests. Gains or losses are recognized in the statement of profit or loss when the asset is derecognized, modified or impaired.

Financial assets at fair value through profit or loss

The company classifies the following financial assets at fair value through profit or loss:

(i) financial instruments to obtain cash flows that do not qualify to be measured at amortized cost;

(ii) capital instruments held for trading purposes;

(iii) equity instruments for which the company has decided not to record fair value through other comprehensive income.

Classification is determined on an instrument-by-instrument basis.

Financial assets at fair value through other comprehensive income

The company measures the following financial assets at fair value through other comprehensive income:

(i) equity instruments held for purposes other than trading, being considered by the company at the time of acquisition as strategic investments;

(ii) debt instruments with cash flows that are only capital repayments and interest payments on the principal amount outstanding and for which the company objective is to obtain their contractual and sales cash flows.

The company does not hold any financial assets in this category.

21.8.1.3 Derecognition

Financial assets are derecognized when: (i) the company contractual rights to receive their cash flows expire; (ii) the company has substantially transferred all the risks and rewards of ownership; or (iii) although it retains a portion but not substantially all the risks and rewards of ownership, the company has transferred control over the assets.

21.8.2 FINANCIAL LIABILITIES

21.8.2.1 Initial recognition

All financial liabilities are initially recognized at fair value and, in the case of loans, financing and accounts payable, net of directly attributable transaction costs.

The company's financial liabilities include suppliers and other accounts payable, loans and financing, including bank overdrafts.

21.8.2.2 Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the short term. Gains or losses on liabilities held for trading are recognized in the statement of profit or loss.

Financial liabilities at amortized cost

After initial recognition, trade and other creditors, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method.

21.9 Impairment

21.9.1 Impairment of tangible assets, intangible assets, except goodwill

The company performs impairment tests on its tangible and intangible fixed assets whenever there is an event or change that indicates that the amount for which the asset is registered may not be recovered. In the event of such evidence, the company determines the recoverable amount of the asset, in order to determine the possible extent of the impairment loss. When it is not possible to determine the recoverable amount of an individual asset, the recoverable amount of the cash-generating unit to which that asset belongs is estimated.

The recoverable amount of the asset or cash-generating unit consists of the largest of (i) the net selling price and (ii) the value in use. The net selling price is the amount that would be obtained from the sale of the asset in a transaction between independent and knowledgeable entities, less expenses directly attributable to the sale. The value in use arises from the estimated and discounted future cash flows of the asset during its expected useful life. The discount rate used to update discounted cash flows reflects the current value of capital and the specific risk of the asset.

Whenever the carrying amount of the asset or cash-generating unit is greater than its recoverable amount, an impairment loss is recognized. The impairment loss is recorded in the statement of profit or loss, under other operating expenses and losses.

When an impairment loss is subsequently reversed, the book value of the asset is updated to its estimated value, being recognized in the statement of profit or loss as a deduction to the item other operating expenses and losses. However, the reversal of the impairment loss is made up to the limit of the amount that would be recognized (net of depreciation or amortization) had the impairment loss not been recorded in previous periods.

21.9.2 Impairment of financial assets

The company recognizes impairments for expected credit losses on financial assets not held at fair value through profit or loss. Losses are estimated based on the difference between the net book value of the financial instruments and the cash flows the company expects to receive, discounted according to the original effective interest rate estimate.

Losses are estimated using two different approaches, which are described below:

(i) Credits with increased credit risk compared to initial recognition are provisioned based on the economic analysis carried out by the management of each subsidiary, considering the credit situation of the debtor, the market in which it operates and its known default history. According to this criteria, the provision for credit risk is recognized on an economic basis considering the age of the credit, the internal and external information available about each debtor;

(ii) The credit risk associated with credits for which there is no significant increase in credit risk compared to initial recognition, is estimated based on a calculation model, which takes into account the debtor's credit profile, life of the asset on each reporting date and the average expected payment terms for each debtor based on its credit profile. In carrying out the assessment of the provision for losses, the company takes into account the experience with historical credit losses and specific prospective factors of debtors and the economic environment.

21.10 DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are recognized on the contract date at their fair value, which is assumed to be equal to their acquisition cost on the contract date. Subsequently, the fair value of derivative financial instruments is remeasured on each reporting date, with the gains or losses resulting from this remeasurement being recorded directly in the statement of profit or loss, except for the effects related to cash flow hedging derivatives, when they are effective, in which case they are recorded in other comprehensive income.

The fair value of derivative financial instruments is the market value of the instrument, when available, or determined by external entities based on valuations methods generally accepted in the market.

The company uses financial instruments to hedge the interest rate risk from its financing activity. The derivative that do not qualify for hedging in accordance with IFRS 9 are registered as trading instruments.

A hedging relationship exists when:

- At the date of inception there is formal documentation of the hedging relationship;
- The hedge is expected to be highly effective;
- The effectiveness of the hedge can be reliably measured;
- The hedge is assessed on an ongoing basis and determined actually to have been highly effective throughout the financial reporting period;
- In relation to the hedge of a future transaction, the transaction must be highly probable and must present an exposure to variations in cash flows that could ultimately affect net profit or loss.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the statement of profit or loss. Amounts accumulated in reserves are reclassified to profit or loss in the periods when the hedged item affects profit or loss.

When a hedging instrument related to a forecast transaction is discontinued, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in the statement of profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to the statement of profit or loss.

21.11 LEASES

The company uses lease agreements to use assets in its operating activities such as medical and administrative equipment and vehicles.

Typically, lease agreements are made for periods of 4 to 10 years. When applicable, the company allocates lease payments from the contract to lease components and other than leases, based on the value of each component, except for vehicle leases, where the company has chosen not to separate the lease components and non-lease, registering the two components together as if it were a single lease component.

Until 31 December 2018, the company classified leasing operations as finance leases or operating leases, according to their substance and not their legal form, fulfilling the criteria defined in IAS 17 - Leases. Operations where the risks and benefits inherent in the ownership of an asset are transferred to the lessee were classified as finance leases. All other leasing operations were classified as operating leases.

From 1 January 2019 onwards, lease contracts started to be recognized in assets (with the name of assets under right of use) and in liabilities from the date the underlying asset became available for use by the company. The assets and liabilities arising from a lease are initially measured at present value.

Lease liabilities include the current value of the following lease payments:

- fixed payments (including fixed payments in substance), less leasing incentives;
- variable payments, based on an index or rate;
- expected payments for residual value guarantees;
- exercise value of a call option, when the company has reasonable certainty of exercising that option;
- payment of penalties for terminating contracts, as long as the company exercises this option; and
- payments to be made under contract extension options when the company is reasonably sure of exercising that option.

Lease payments are discounted using the interest rate implicit in the lease. If this rate cannot be easily determined, as is the case for leases between group companies, the company's incremental financing rate is used, which is the rate that the lessee would have to pay for obtaining the funds necessary to obtain an asset of a similar value to the asset under right of use for a similar period, in a similar economic environment, and with similar guarantees.

To determine the incremental financing rate, the company whenever possible, uses the recent financing conditions obtained from third parties, adjusted to reflect changes in financing conditions since the financing was obtained, for contracts lasting up to 7 years.

The company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability value until they come into effect. Adjustments to lease payments based on an index or rate, imply a reassessment of the lease liability against the increase in the asset under usage rights.

The lease payments are separated by the settlement of the acquisition value and its financial component, in which the financial cost is recorded in the statement of profit or loss during the lease period, in order to produce an effective interest rate.

Assets under right of use are measured at cost, which comprises:

- the value of the initial measurement of the lease liability;
- any lease payments made on or before the lease start date, less the rental incentives received;
- any initial direct costs; and
- dismantling and replacement costs.

Right-of-use assets are generally depreciated by the lesser, between the useful life of the asset and the lease term, except when the company has a call option on the underlying asset and it is reasonably certain that this option will be exercised.

Payments associated with short-term leases (term less than 12 months) for equipment and vehicles and contracts for the lease of low-value assets are recognized on a straight-line basis in the statement of income over the term of this contract.

21.12 REVENUE

Revenue is recognized whenever it is likely that the company will obtain economic benefits that can be reliably measured.

Revenue is recognized with reference to its stage of completion as of the transaction date, based on the activities performed in the period, valued in accordance with the prices established for each service, independently of the moment of invoicing.

As a service company and the parent company of a group, the company enters into agreements with suppliers that render services across the various group companies. Costs invoiced by suppliers directly to Luz Saúde under these agreements are entirely transferred to the subsidiaries and are recorded in the statement of profit or loss as a decrease of Luz Saúde's costs.

Dividends are recognized from the moment in which the right to receive payment is granted.

21.13 ACCRUAL BASIS

Luz Saúde recognize their revenue and expenses on an accrual basis. Therefore, revenue and expenses are recognized when generated regardless of when they are collected or paid. Differences between the amounts collected and paid and the corresponding expenses and revenue are reported in the balance sheet under the captions other receivables or other payables, respectively.

21.14 EMPLOYEE BENEFITS

Pursuant to Portuguese legislation, employees are currently entitled to one-month holiday and one-month holiday allowance. This right is earned in the year prior to the year payment is made.

Under the performance assessment system in place, employees may come to earn a bonus should they achieve certain goals. This right is usually earned in the year prior to the year payment is made.

Liabilities are recognized in the profit and loss in the period in which the employees earn the referred right, regardless of the date of payment. The obligation is recognized under liabilities in the caption other payables.

21.15 FINANCE COSTS AND INCOME

Finance income includes interest and financial discounts obtained from third parties and are recognized in the period in which they occur.

Finance costs include interest expenses and other banking expenses, being recognized in the financial period in which they occur, using the amortized cost method, through which the initial costs, commissions and stamp duty incurred with medium/ long term loans are deferred for the period estimated of the loans and recognized according to the respective interest.

21.16 INCOME TAX

Income tax for the financial period is recognized according to IAS 12 – Income Taxes and includes both current and deferred tax. Taxes on profits are recognized in the statement of profit or loss, except when related to items directly recognized as equity, in which case they are also reported as equity.

Current taxes are those expected to be paid based on taxable income, calculated according to the tax laws in force and the tax rate approved or substantially approved in each jurisdiction.

Deferred taxes are calculated according to the liability method based in the balance sheet on the reporting date, on temporary differences between the carrying amounts of assets and liabilities and their tax base.

Deferred tax liabilities are recognized for all temporary taxable differences with the exception of non-deductible for differences arising from the initial recognition of assets and liabilities that affect neither accounting nor taxable profits, and for differences related to investments in subsidiaries to the extent they are unlikely to be reversed in the future. Deferred tax assets are recognized only to the extent it is likely that future taxable profit will be able to use the temporary deductible differences.

Luz Saúde is taxed according to the special regime for the taxation of groups of companies (RETGS), which covers all entities in which the parent company of the tax group, Luz Saúde participates, directly or indirectly, in at least 75% of the investee share capital and, provided that they comply with the requirements of the Corporate Income Tax Code.

Current taxes are determined based on the accounting results adjusted according to the tax law in force. Currently, companies' resident in Portugal are subject to a corporate income tax rate of 21%, plus a municipal surcharge of up to a maximum of 1.5% of taxable profits, and a State surcharge of 3% of taxable profits between €1.5 million and €7.5 million and 5% on taxable profits between €7.5 million and €35 million, and 9% on taxable profits above €35 million.

Pursuant to IAS 12, the company offsets assets and liabilities against deferred tax whenever: (i) the respective company has a legally enforceable right to offset assets against current taxes and liabilities against current taxes; (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same tax authority and on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously in future periods in which deferred taxes are expected to the settled or recovered.

The income tax payment is based on self-assessment tax returns that are subject to inspection and possible adjustment by the tax authorities during the period of four years, from the year to which they refer. Tax losses for a given year, which are also subject to inspection and adjustment for a period of 10 years and can be deducted from the tax profits of future years, without time limit. As of 2014 and until December 31, 2022, the deduction of tax losses is limited to 70% of the taxable income in the year in which the deduction is made. This limit has been increased by 10 b.p. for tax losses ascertained in the 2020 and 2021 tax periods. Starting with tax periods beginning on or after January 1, 2023, the annual limit for the deduction of tax losses has been reduced to 65%. This change applies to the deduction of losses from taxable profits for tax periods beginning on or after January 1, 2023, as well as to tax losses from tax periods prior to January 1, 2023, for which the deduction period is still in progress. As of 2017, the rules for the use of tax losses that provide for the deduction, first, of those that were also generated first (FIFO criterion) were repealed. Therefore, the first deduction is now allowed for those losses whose carry forward period runs out first.

21.17 PROVISIONS, CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Provisions are recognized when (i) Luz Saúde has a present obligation (legal or constructive), (ii) it is likely that its payment will be required and (iii) when the amount of the obligation can be reliably estimated. When one of these conditions is not met, the company discloses the event as a contingent liability, unless the possibility of an outflow of funds is highly unlikely.

The amount of provisions corresponds to the present value of the obligation, with the financial discount being recorded as a financial expense in the item other finance cost.

Provisions are revised on the reporting date and are adjusted to reflect the best estimate on that date.

A provision is recognized for litigation in progress when the costs that will be incurred due to legal proceedings filed by third parties can be reliably estimated. The estimate is based on an assessment of the likelihood of having to make payment, based on the opinion of the company's legal advisors.

Contingent assets are not recognized in the financial statements but are disclosed when it is likely they will generate a future economic benefit.

21.18 SHARE CAPITAL

Share capital refers to the nominal value of ordinary share issued.

Share premiums is recognized, when the share issue value exceeds the nominal value of each share, by the amount of the excess referred, net of the expenses related with the new shares issued.

Treasury shares acquired are valued at their acquisition price and recorded as a decrease in equity. At the time of disposal, the amount received, less any direct transaction costs, is recognized directly in equity.

21.18.1 NON-DISTRIBUTABLE RESERVES – LEGAL RESERVES

According to the commercial legislation in force, at least 5% of the result must be allocated to the constitution or reinforcement of the legal reserve until it represents at least 20% of the share capital.

The legal reserve is not distributable except in the event of liquidation and can only be used to absorb losses, after all other reserves have been exhausted, or for incorporation in the share capital.

21.19 DIVIDEND DISTRIBUTION

The distribution of dividends is recognized as a liability from the time they are approved by the company's General Shareholders Meeting until they are paid to the shareholder.

21.20 CASH FLOW STATEMENT

The cash flow statement is prepared using the direct method, by which cash inflows and outflows relative to operating, investment and financing activities are reported.

21.21 SUBSEQUENT EVENTS

Events occurring after the closing date, up to the date of approval of the financial statements by the Board of Directors, and which provide additional information on conditions that existed at the date of the financial reporting are reflected in the financial statements. Events occurring after the closing date that are indicative of conditions that arose after the financial reporting date are disclosed in the notes to the financial statements, if they are considered material.

22 SUBSEQUENT EVENTS

No subsequent events relevant for reporting purposes occurred between 31 December 2023 and the date of approval of these individual financial statements by the Board of Directors meeting.

THE CERTIFIED ACCOUNTANT

(Sónia Amoedo Matos)

THE BOARD OF DIRECTORS

(Jorge Manuel Baptista Magalhães Correia)

(Isabel Maria Pereira Aníbal Vaz)

(Artur Aires Rodrigues de Morais Vaz)

(Fang Yao)

(Ivo Joaquim Antão)

(João Paulo da Cunha Leite de Abreu Novais)

(Margarida Maria Correia de Barros Couto)

(Maria Isabel Toucedo Lage)

(Rogério Miguel Antunes Campos Henriques)

(Teresa Alexandra Pires Marques Leitão Abecasis)

(Tomás Leitão Branquinho da Fonseca)

(Vítor Manuel Lopes Fernandes)

23 GLOSSARY

ACE	Luz Saúde – Serviços, A.C.E.
APHP	Associação Portuguesa de Hospitalização Privada
ARS-LVT	Administração Regional de Saúde de Lisboa e Vale do Tejo
ADSE	Instituto de Proteção e Assistência na Doença, I.P.
CASAS	Casas da Cidade – Residências Sénior, S.A.
Casas de Carnaxide	Casas da Cidade – Residência Sénior de Carnaxide, S.A.
CCHCI II	Capital Criativo Health Care Investments II, SA
CIRC	Corporate income tax code
DCF	Discounted Casf-Flows
EBITDA	Earnings Before Interest Tax Depreciation and Amortization
EU	European Union
FCR	Venture capital funds
FCT	Fundo de Compensação de Trabalho
Fidelidade	Fidelidade Companhia de Seguros, S.A.
Fosun International	Fosun International Limited
GENOMED	Genomed - Diagnósticos de Medicina Molecular, S.A.
GLSLH	GLSMED Learning Health, S.A.
GLST	GLSMED Trade, S.A.
HAG	Hospital da Luz Arrábida, S.A.
HBA	Hospital Beatriz Ângelo
HLA	Hospital da Luz Aveiro, S.A.
HLC	Hospital da Luz Coimbra, S.A.
HL-CCA	Hospital da Luz – Centro Clínico da Amadora, S.A.
HLF	Hospital da Luz Funchal, S.A.
HLG	Hospital da Luz Guimarães, S.A.
HLL	Hospital da Luz, S.A.
HLO	Hospital da Luz – Oeiras, S.A.
HME	HME – Gestão Hospitalar, S.A.
HOSPOR	Hospor – Hospitais Portugueses, S.A.
HRM	Hospital Residencial do Mar, S.A.
HRM Gaia	Hospital Residencial do Mar Gaia
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IASC	International Accounting Standards Committee
IFRIC	IFRS Interpretation Committee

IFRS	International Financial Reporting Standards
LURs	Lifetime use right
Luz Saúde	Luz Saúde, S.A.
Net debt	Total financial debt net of cash and cash equivalents
OCI	Other comprehensive income
PCA	Portuguese competition authority
PTA	Portuguese tax authority
RETGS	Special regime of group taxation
RML	RML – Residência Medicalizada de Loures, SGPS, SA
SGHL	SGHL – Sociedade Gestora do Hospital de Loures, S.A.
SIC	Standing Interpretation Committee
SIFIDE	Tax benefits scheme for research and development
SURGICARE	SURGICARE – Unidades de Saúde, SA
USATI	Luz Saúde Unidades de Saúde e de Apoio à Terceira Idade, S.A.
VAT	Valued added tax

LUZ SAÚDE, S.A.

SUPERVISORY BOARD REPORT AND OPINION

31 DECEMBER 2023

(free translation from the original version in Portuguese language. In case of doubt, the Portuguese version prevails)

In accordance with applicable laws, bylaws and the mandate that we are entrusted with, we present the report on the supervision activity and the opinion on the financial statements, prepared by the Board of Directors and under its responsibility.

During the year, we monitored the company's activity, taking all the steps necessary to fulfill the duties to which we are obliged, and we verify the regularity of the accounting records and the compliance with applicable legal and statutory laws, having carried out the verifications deemed appropriate.

We obtained from the Board of Directors and other corporate bodies periodically information and clarification on the activity of the company and the progress of its business.

We appreciated the Management Report and the individual and consolidated financial statements for the financial year, as well as the Statutory Audit Report, with which we agree.

According with foregoing, the Supervisory Board issues the following:

OPINION

- That the Management Report and the individual and consolidated financial statements for the financial year be approved, as presented by the Board of Directors.
- That the proposal for profit allocation contained in the Management Report be approved.

The Supervisory Board thanks the Board of Directors and the other governing bodies for the good collaboration received throughout the financial year.

Lisbon, 19 March 2024

The Supervisory Board,

Vasco Jorge Valdez Ferreira Matias – Chairman

João Filipe Gonçalves Pinto- Member

Carlos Fernando Tomé da Silva Westerman – Member

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*(Translation from the original document in the Portuguese language.
In case of doubt, the Portuguese version prevails)*

Statutory Auditor's Report

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of Luz Saúde, S.A. (the Entity), which comprise the Balance Sheet as at December 31, 2023 (which show a total of 581,492 thousand euros and a total equity of 325,030 thousand euros, including a net profit for the year of 19,422 thousand euros), and the Statement of Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, and notes to the financial statements, including material information about the accounting policy.

In our opinion, the accompanying financial statements give a true and fair view, in all material respects, of the financial position of Luz Saúde, S.A., as at December 31, 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as endorsed by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and with other standards and technical directives of the Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas"). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Entity in accordance with the law and we have fulfilled other ethical requirements in accordance with the Institute of Statutory Auditors´ code of ethics.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and supervisory board for the financial statements

Management is responsible for:

- the preparation of financial statements that presents a true and fair view of the Entity's financial position, financial performance and cash flows in accordance with the International Financial Reporting Standards as endorsed by the European Union;
- the preparation of the Management Report in accordance with the applicable laws and regulations;
- designing and maintaining an appropriate internal control system to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
- the adoption of accounting policies and principles appropriate in the circumstances; and
- assessment of the Entity's ability to continue as a going concern, and disclosing, as applicable, matters related to going concern that may cast significant doubt on the Entity's ability to continue as a going concern.

The supervisory board is responsible for overseeing the Entity's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and
- communicate with those charged with governance, including the supervisory board, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit;

Our responsibility includes the verification of the consistency of the Management Report with the financial statements.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

About the Management Report

Pursuant of article 451º, nº 3, al. e) of the Commercial Companies Code, it is our opinion that the Management Report was prepared in accordance with laws and regulations in force, the information contained therein is in agreement with the audited financial statements and, taking into consideration our assessment and understanding of the Entity, we have not identified any material misstatement.

Lisbon, 19 March 2024

Ernst & Young Audit & Associados – SROC, S.A.
Sociedade de Revisores Oficiais de Contas
Represented by:

(Signed)

Ricardo Miguel Barrocas André - ROC nº 1461
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LUZ SAÚDE

Moving Medicine Forward